

UNEMPLOYMENT

AN INTERNATIONAL PROBLEM

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UNEMPLOYMENT

AN INTERNATIONAL PROBLEM

A Report by a
Study Group of Members of the
Royal Institute of International
Affairs

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FOREWORD

THIS Report has been prepared by a Group of Members of Chatham House who, in the summer of 1933, were invited by the Council of the Institute to make a survey of unemployment considered as an international problem.

The Report attempts to assemble the essential facts on the unemployment situation throughout the world; to describe some of the conditions under which the dislocation of labour in recent years has occurred, and the practical measures taken by governments and by industrialists to meet the situation. Only the more salient features of the problem are discussed in this book, which is largely based on the exhaustive information contained in the publications of the International Labour Office, the League of Nations, and the Ministry of Labour. Its purpose is to provide the non-expert on the subject with the material which will enable him, in the light of the experience gained by other countries, to form an opinion on any national policy proposed to counteract unemployment and on the repercussions of that policy in international affairs.

The Group of Members of the Institute to whom the Council is indebted for the preparation of the Report is:

The Viscount Astor (*Chairman*)
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partment*)
Miss Margaret Bryant (*Group
Secretary*)

The Council is also indebted to a group of other authorities in Great Britain and abroad to whom, following the usual practice adopted in connexion with Group Studies, the first draft of the Report was sent with an invitation to comment upon and criticize it from their various points of view. These correspondents responded generously to this request for collaboration, and much valuable commentary was received, particularly from the following:

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Miss D. Warriner
Professor F. Zeuthen

The Council of the Institute desires to express its gratitude to these authorities for placing their knowledge and experience at the disposal of the Group, and at the same time to make it clear that they have not, by giving their views, incurred responsibility for the contents of the book. The Council is grateful to the Ministry of Labour and other Government Departments for generous assistance; and also wishes to thank the High Commissioner for the Irish Free State in London, the Dominion Bureau of Statistics, Ottawa, the Joint Committee of Cotton Trade Organizations, Manchester, and the International Migration Service, Geneva, for help in obtaining information; and the Economic Intelligence Service of the League of Nations, the International Labour Office, the Ministry of Labour, the Institut für Konjunkturforschung, Berlin, and the National Bureau of Economic Research Inc., New York, for permission to reproduce diagrams.

In the drafting of the Report the Group Secretary was assisted by Miss Heather Harvey and valuable help was also received from Mrs. H. C. Harwood, a member of the Institute, who has devoted much time to the preparation of material. Finally the Council wishes to express high appreciation of Miss Bryant's work as Group Secretary.

In reading this Report it should be borne in mind that, as is customary in the Study Group work of Chatham House, the members of the Group invited by the Council to investigate and report on a specific subject do so on the understanding that, though they collectively accept responsibility for the work as a whole as being a useful contribution to the literature of the subject, they do not necessarily subscribe individually to every statement in the book.

NEILL MALCOLM

Chairman of the Council

CHATHAM HOUSE
ST. JAMES'S SQUARE, S.W. 1

July 26th, 1935

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CHAPTER I

INTRODUCTORY

THE material assembled in this Report is not, and cannot be, an exhaustive account of every phase of the problem of unemployment in the modern world. (Unemployment is one aspect of the disorganization of the structure of primary production, industry, and the exchange of commodities, and of the social and political system. President Roosevelt has defined it as the 'insecurity of the individual'.¹ The solution of the problem depends on resolving a whole series of political and economic conflicts which cannot be exhaustively treated in a volume seeking to discuss one particular aspect of social politics, the problem of the disparity between the demand for and the supply of labour.) It has been necessary to restrict the field of inquiry, and to present the facts of unemployment, the changes in progress in the structure of unemployment, and the background against which these changes are taking place, together with the various efforts made to mitigate the difficulties of the situation. [The examination of these facts does provide a basis for some critical study of the situation which may be useful in considering national and international policies. [The unemployment with which we are concerned in this book is mainly disparity between the supply of, and the demand for, labour in industry organized on the basis of a hired labour force. It becomes a problem of a similar nature in agriculture only when agriculture is organized on this basis and not on the basis of the family farm.] There are other large areas of occupations in which the question hardly arises. The whole group of State and municipal services, and of public utility services generally, shows a tendency towards expansion and a general stability in employment. There may be contraction in certain public utility services owing to new competition—electricity to gas, road to rail transport, &c., but the effects on employment are gradual.

(The question of industrial employment properly so called reflects the complexities and the changes in the industrial situation; at no point is it static or susceptible of any single, simple solution.) (The figures of production and prices and of unemployment show, if any proof were needed, that the worker shares the risks undertaken by the entrepreneur.) The level of employment is subject to all the factors determining the variations in industrial production, and

¹ Presidential Message to Congress, Jan. 30, 1934.

unemployment as a general problem cannot be ascribed to thriftlessness or idleness.) The number of unemployables is small, and does not affect the major problem

Unemployment is therefore mainly a symptom of industrial maladjustment. Maladjustments in the human body are called disease, but there are many kinds of disease, some slight and yielding easily to remedial treatment, some much more formidable. The same is true of unemployment. There is the docker who may have reasonably regular work on certain days, the cotton-hand on short time, who may be said to be under-employed but is not in a desperate situation. There is the young girl working who is laid off but about to be married. There is the man who lives on odd jobs. There is the married woman who does office-cleaning for a few hours and loses the job, which may be the main source of the meagre family income or merely supplementary. There is in many countries the small-holder who goes into industrial employment in the winter and is hard put to it, but not destitute, if industrial work fails. There is the building labourer laid off on account of severe weather. There is the industrial worker who is laid off for a fortnight, a month, or more for lack of orders in the works or factory but who expects to return within a reasonable time. And there is the middle-aged industrial worker in a declining industry who is dismissed with little hope of re-employment, and the clerk of fifty who is replaced by a girl with a calculating machine. There is the hiatus due to change of occupation necessitated by shifts in industry. All these kinds of unemployment go to make up the total. Obviously the importance of being laid off or permanently dismissed varies as much with the individual as with the industrial position.)

Some attempt is made in later pages to define more exactly what is covered under the 'omnibus' word unemployment. It may be said here that (intermittence and under-employment *may* be of a magnitude which is serious for industry and for the State and for the well-being of society; but that the unemployment of large groups of men and women for long periods is the subject of main concern. Some kinds of unemployment may be mitigated or prevented by better organization of industry and the labour market; there are others which in their origin and in their treatment infringe on the main fields of State policy.

Moreover, (the approach to the problem of unemployment varies with the nature and extent of the difficulty in each country—with its national and industrial resources, and with the general attitude towards problems of social and political organization.)

Thus Russia, faced with a blank sheet after the Revolution, has

adopted a system of planned production. In both Germany and the United States the relations of government to industry have undergone profound changes since the present crisis began. (In different parts of the world the pressure of unemployment has led to the adoption of all kinds of expedients, some of them temporary, some more permanent, and some only feasible under special economic systems.)

{ The problem of re-employment cannot be divorced entirely from the accepted national standard of living } the terms on which re-employment is possible inevitably come into the question. National opinion may be prepared to face a comparatively high unemployment rate, with all it entails, rather than a general reduction in wages; on the other hand, employment, even on a subsistence basis, may be regarded as more desirable than the existence of a large body of unemployed. { All the conditions of labour, including wages and hours, the efficiency of industrial organization, and the efficiency of the individual, are bound to affect the demand. There is no simple and universal answer to the question on what terms re-employment is satisfactory. Terms of employment which are satisfactory in China are not acceptable in a Western country. Terms acceptable to-day in the West may be considered quite inadequate ten years hence.

The psychological attitude towards the 'curse of Adam' differs very much. It is believed in many quarters that unemployment relief otherwise than by the provision of work is demoralizing to the national character; on the other hand, a body of opinion lays stress on the desirability of well-used leisure rather than on the moral effects of hard work. The latter school maintains that the development of the power of man over the material world should be used to lighten the burden of labour, to reduce working hours, and to substitute real leisure properly distributed for the present alternation of hard work and enforced idleness.

{ Attempts have been made to establish a statistical measure of the degree of unemployment to be expected in reasonably prosperous times in an industrialized State } { In a period of rapid change in the industrial structure due to new inventions and to changes in demand, when new industries are advancing at the expense of older ones; dislocation is bound to occur; the difficulties of transfer from one occupation to another or to the same occupation in another district are very great, and in the case of workers over middle age often almost insuperable. } { Moreover, in any large labour force there must be a considerable proportion of elderly persons and others less efficient than the average worker who would always find it difficult to secure

continuous employment. } Whether such persons can be profitably employed depends on the general conditions under which industry is conducted, including wage-rates. The relatively inefficient are more likely to be squeezed out in a high-wage, highly efficient industry, the pace of which is increasing.

It is possible that in these circumstances—in a period of rapid shifts in production to meet changing demand and new inventions—a higher rate of unemployment than that obtaining before the War may be inevitable even in prosperous times, and that temporary dislocations in particular sections of the labour market may tend to increase. *Some* unemployment is inevitable. The problem of ‘unemployment’ with which we are concerned is not the apparently insoluble one of eliminating all unemployment. It may be stated as the necessity of so reducing the proportions and so altering the character of unemployment as to take it out of the field of urgent and major governmental concern.

The main problem everywhere to-day is that of unemployment due to general depression. That unemployment is a concomitant of general economic depression is plain. It is equally plain, however, that unemployment and general depression are not identical, for unemployment in Great Britain, even when general economic conditions were relatively good, was certainly of such a kind and size as to constitute a major problem. It is now recognized that even in the boom in the United States in 1928 and the first half of 1929 there was a high level of unemployment in certain areas and trades. Germany had substantial unemployment when industry was expanding between 1924 and 1929. All that can be said with indisputable truth is that some portion of unemployment at the present time is the inevitable result of a general depressed condition of trade and industry. We can, however, turn the statement into dynamic form by saying that *growing* unemployment is part of the vicious spiral of depression. Men thrown out of work spend less, and their reduced demand means lower prices, or smaller output, or both, for the products that they formerly consumed, and this in turn tends to cause more unemployment.

The existence of this ‘vicious spiral’ makes it impossible even to describe unemployment exclusively as a *result* of business depression. But we can push back the analysis one stage further by noting that the unemployed man who is the material of the ‘unemployment problem’ as we have defined it is thrown out of work, or fails to find an opportunity of work, not from any cause attaching to himself, but because his employer, and employers generally, do not consider it

profitable to employ him. Why not? Ruling out explanations dependent on special national conditions—for we are concerned with a world-wide depression—several possible answers suggest themselves. The supply price of labour, considered in relation to the fall in prices, may have become disproportionately high, and therefore, as with everything else that is bought and sold, the demand for labour tends to contract. This statement is undoubtedly true, but it provides no more than an interim explanation, since it merely points to the fall of prices as an established fact, whereas a price decline is not an independent phenomenon, but is logically associated with changes in production. The same general causes which produce a fall of prices for agricultural commodities—of which production cannot be reduced at short notice—produce a reduction of output in manufacturing industry, where supply can be more readily adjusted to demand. In manufacturing industries operating with high overhead costs, quick reduction of output may also be difficult, and the result may well be a price decline, as an alternative. Thus unemployment is both a direct result of such general causes (through reduced output), and an indirect result (through falling prices).

Those general causes can be specified as a decline of purchasing.¹ They are often identified with a decline of *purchasing power*, but the initial trouble may rather be a decline of *purchasing willingness*. Hence psychological forces, hopes and fears, may play a vital part in determining the general course of trade. Such forces are always at work in partnership with more tangible factors—rates of interest, new inventions and discoveries, government policies, saving—in modifying the pace at which the money (including credit) which is withheld from immediate spending is put back into circulation by being invested in buildings, capital equipment, and stocks of goods.

To say that unemployment is not a problem in itself, but an aspect of a much wider question of maladjustments in the economic system, may sound heartless in view of the suffering inflicted on millions in the world to-day because of unemployment, but it is nevertheless true. Yet it is because unemployment is measured in human values that it creates more searchings of heart than a fall in prices, or in trade, or than any other index of adversity, and that the study of it may to some extent be divorced from the study of general conditions.

PART ONE
DESCRIPTIVE

CHAPTER II

THE SOCIAL EFFECTS OF UNEMPLOYMENT

1. *Loss in Wealth*

THE social cost of unemployment may be considered from various angles. There is loss in production and national wealth; there is deterioration in the skill, physique, and morale of the labour force itself, there are the evil consequences of poverty or, in countries where social services do no more than touch the fringe of the question, destitution; there is the charge on governments and local authorities for the provision of relief, and the strains placed on corporate and family life in impoverished communities.

Loss of wealth which might have been produced. The concrete loss of wealth which might have been created had the men and women out of work been employed, 'the inventory of hypothetical goods and services' which the unemployed might have produced, can only be expressed in terms of money value. There are many reasons why a calculation on these lines is likely to be of doubtful validity, even if it is duly weighted in the light of relevant considerations affecting unemployment statistics (including the degree of employability of those unemployed), since the production of these goods and services would undoubtedly have altered the price level of the commodities concerned. The calculation, therefore, if made on the basis of wages lost, is doubtful. Similar, though not identical considerations, arise if the idleness of plant, which may be of varying degrees of efficiency, is taken into consideration. Nevertheless, some indication of the magnitudes involved is given by the loss in income to the wage-earning and salaried population.¹

The annual net loss to the German wage-earning classes may perhaps be estimated at from $1\frac{1}{2}$ to 3 milliard Reichsmarks in the years 1927-30, before the depression and in its early stages, and has certainly increased since that date, as unemployment increased in 1932 and 1933.² Payments on account of unemployment have since diminished.

An American estimate puts the average in 1930 and 1931 in lost salaries and wages from unemployment, not including wage-cuts, at

¹ See the figures given in the League of Nations *World Economic Survey* (1934, Geneva), p. 158.

² See Appendix I for the figures on which this calculation is based. See also pp. 263-4, for depression figures.

\$10,000 millions a year.¹ The existence of a large mass of unemployed persons tends to depress wages, and therefore employed persons also suffer reductions in income.² An estimate of the total loss to the wage-earning classes should include cuts in the wages of those who remain in employment.

Loss to wage-earners and consumers. Professor Pigou points out that the total concrete loss of wealth due to unemployment has an obverse side in the subjective cost, in the loss of satisfaction which would have been derived from the consumption of the goods not produced, and that this loss of satisfaction is by no means evenly distributed, nor is it the same for the wage-earners themselves under all régimes.

'This conception is not a precise one until we have specified how far unemployed persons, who produce nothing, are assisted out of the real income accruing to other persons: for, obviously, the non-appearance of their product involves a much greater loss of satisfaction if it means that these men are reduced to the verge of starvation than if it means merely that the superfluities of some rich men are cut a little to finance the unemployed. In England roughly half the loss of product due to unemployment is borne by the unemployed man himself and half by other people.'³

Further, an occasional week's leisure may make up for the loss of a week's wages, but long-continued unemployment gives no satisfaction, but the reverse.

If the time lost through unemployment were spread fairly evenly over the whole working population, there would be a general reduction in earnings, but the social results, except in cases where total unemployment attained catastrophic dimensions, would not be so grave as they in fact are. Unemployment is not evenly distributed; it is concentrated on certain industries and on certain groups of persons, and it tends to fall more heavily on certain age-groups. The serious social evils due to unemployment arise out of the long-continued idleness of wage-earners, or groups of wage-earners, who thus exhaust the resources they may have accumulated in better times.

Cost of services to provide for unemployed. Another aspect, on which great stress is apt to be laid, is the cost of unemployment insurance and of the additional social services necessary to meet distress. The total expenditure on social services is ascertainable for

¹ U.S.A. *Senate Committee on Unemployment Relief*: Testimony of Benjamin C. Marsh (Dec. 1931, Washington), p. 290.

² This remains true in spite of the fact that the proportion of national incomes expended on wages and salaries tends to increase (see Part III, p. 262). If the total cake is much smaller, an increase in the relative size of the slice affords little consolation. There are exceptions in countries where labour is well organized and social services adequate.

³ Pigou (A. C.), *The Theory of Unemployment* (1933, London), p. 13.

certain countries, though not for all. In any case the whole of the increase in expenditure in recent years cannot be ascribed to unemployment, since some part of it is due to the steady development in magnitude and efficiency of the health and other services for the general population.¹

An example of colossal expenditure incurred solely for the relief of unemployment is provided in the United States, where the Federal and State authorities have spent, for relief alone, 792·3 million dollars in 1933,² and 1,481 million dollars in 1934.

While the cost of unemployment, whether reckoned in terms of loss of national income, loss of earnings, or government expenditure on relief, is very great, there are other losses less tangible and more difficult to assess, but equally important.

2. *Loss of Efficiency*

There is the damage done to the working force itself in those trades and areas where there is much long-continued enforced idleness, accompanied by poverty even where unemployment benefits are reasonably adequate and by want where they are not. In these cases there is physical and moral deterioration in the long run, except in the case of men and women endowed with exceptional strength of character and physique.

Deterioration in skill. The deterioration in the skill of the labour force is a national loss. For Great Britain it is true that much unemployed labour is of the unskilled type, and some of it on the margin of employability at existing wage-rates, but there is heavy unemployment in certain trades among skilled, competent men. The figure of existing unemployment among skilled men does not give the full measure of this loss, which may be a permanent loss to the reservoir of skill, since there is some evidence that on the closing down of works where skilled men are employed many of them are transferred to the ranks of unskilled labour.³

The assumption that a high degree of mechanical development does away with the need for skilled, experienced workmen may be

¹ Summary figures are available in the League of Nations *World Economic Survey, 1933-4* (1934, Geneva), pp. 245-50. More detailed figures, however, are contained in the *International Survey of Social Services* (Studies and Reports, Series M, No. 11, International Labour Office, 1933, Geneva).

For the financial operations of unemployment benefit systems see International Labour Office: *Unemployment Insurance and various Forms of Relief for the Unemployed* (1933, Geneva), pp. 218 et seq.

² U.S.A. *Report of the Executive Secretary of the Executive Council to the President*, Aug. 25, 1934 (1934, Washington), p. 24.

³ See Part II, pp. 223-5.

too readily accepted. It is based on the experience of the lighter, newer industries, where unskilled and semi-skilled labour, with a reasonable quota of skilled supervisors, can carry on the work of a factory. But light industry functions on the basis of heavy industry. In heavy industry the trained 'squad', in which each man bears his appointed share in the rhythm of the work, cannot be improvised. Every industry owes a great debt to its skilled men. Even with the moderate degree of revival in 1934, there is said to be a lack of expert labour in certain trades in some areas in Great Britain. In a recent controversy on the merits of the double or triple shift systems, one of the objections raised has been the difficulty of providing the necessary nucleus of skilled men for each shift.

The breaking up of the group accustomed to work together is a serious loss. There is the loss not only of skill, but the loss of a unit of co-operation, in the breaking up of trained skilled staffs. An industrial leader in Cincinnati described the distress with which he saw his labour force go to pieces. 'He had fitted men and skills and aptitudes into a scheme of production, had concerted health and morale and efficiency. Now his labour force was slipping through his fingers, and it would take months and perhaps years to mobilise its like again.'

Loss of apprentices and learners. An indirect result of unemployment in the skilled trades is that new entrants into industry are deterred from entering them, so that there may be a serious deficiency in later years, when new apprentices should have completed their training.¹ It was asserted that in Great Britain, in the shipbuilding industry, when there was a percentage of unemployment of 47 per cent. including unskilled and semi-skilled workers, it would be difficult to cope with a sudden improvement because of the lack of skilled recruits, due to the lack of incentive to enter the industry. The waste of skill among unemployed skilled men and the lack of incentive to serve the necessary apprenticeship for skilled trades is particularly dangerous for the industrial countries of western Europe, which (if the general forecast to be drawn from the changes in the nature and distribution of industry shown in Part II of this book is correct) must rely increasingly on the production of specialized and complex commodities for the maintenance of their industrial supremacy and their export trade. The problem of maintaining the efficiency of the labour force can only be met by the provision of skilled work, and this is one of the reasons why relief work, generally of a rough kind, does not meet the needs of the skilled worker or of the industrial community at large.

¹ United Kingdom: *Reports of Investigations into the Industrial Conditions in Certain Depressed Areas* (Cmd. 4728 of 1934, London, H.M.S.O.), pp. 77-8.

Efficiency lost through hopelessness. A more obvious element tending to the deterioration of the labour force is the hopelessness arising out of prolonged unemployment.¹ The burden of unemployment is not spread over the whole of wage-earners and salaried workers. Perhaps half of them even during the depression have been in practically continuous employment in Great Britain, and this is probably true of a substantial proportion of workers in most other countries. There is no reason to expect deterioration among those workers who are laid off for short periods; the respite from work may even be beneficial, if the unemployment is not recurrent, and if reasonable public provision is available. But actually there is concentrated unemployment in certain exposed or declining trades, lasting for long periods and in some cases with very little hope of re-employment on any reasonably permanent basis. The men who are the victims of this kind of unemployment may well drift into incapacity for work. In the depressed areas of South Wales and Monmouthshire, in 1934, the investigator found² that an 'appreciable number of men will unquestionably need reconditioning before they can hope to regain their full value as industrial units. If the men who have been without regular work for as long as three years are to be considered for reconditioning, this amounts to 28,490 men or 35·8 per cent. of the Wholly Unemployed register in the area. . . . If the period of two years unemployment is taken, approximately 44,250 men are involved. I find that as many as 9,384 men or 11·6 per cent. of the Wholly Unemployed register have been without regular employment for more than five years.'

3 *Distress due to Unemployment*

The effects of unemployment on the moral and physical condition of the people are mitigated in certain Western countries by relatively good systems of unemployment insurance and of social service; where these services do not exist, or have to be improvised, the suffering is

¹ 'To an extent which is very hard to estimate but is certainly not negligible the character and atmosphere of industrial life as at present ordered are affected by the fact and character of "unemployment". Over a great multitude of employed men hangs the menace of that hideous possibility. Through no fault of his own a man may, at a week's notice, be "out of work". Then, unless he is fortunate enough quickly to find work again, he loses his skill; he loses the activity which has become the stimulus to his mental processes; he loses his familiar social intercourse; he is cut off from his friends; he becomes desperate and discontented; even in his home perhaps an unwelcome intruder, outside it an unwanted idler.' Dr. Temple, Archbishop of York, *The Times*, Feb. 5, 1935.

² United Kingdom: *Reports of Investigations into the Industrial Conditions of Certain Depressed Areas* (Cmd. 4728 of 1934, London, H.M.S.O.), p. 134.

much greater. But these effects still occur, even where the social services are reasonably adequate.

The United States. 'It is difficult', wrote Sir A. Steel-Maitland, 'to appreciate properly the suffering caused by the enormous volume of unemployment which followed the financial crash in 1929. The figure of 13 million unemployed men and women—staggering as it is—does not adequately portray the plight of many of them. In a community which had been wealthy and secure and which had suffered few of the apprehensions of less prosperous nations it was perhaps natural that provision—public or private—to meet such an emergency should be inadequate. Such relief funds as were available in the different States had an intolerable burden thrown upon them and were soon exhausted. Private savings had in many cases been swallowed up in the crash. Many families of unemployed people had to fend for themselves, and they did so as far and for as long as they were able. Shelter in many cases was only available as long as landlords remained lenient. When affairs were at their worst, food was the one overmastering need. To obtain it, men loitered round docks and snatched at anything which was cast out. Children ran errands or did anything they could in exchange for something to eat; pleading hunger, they sometimes induced local grocers to give them a little food. The numerous ways in which a family, concentrating its entire attention on food, managed to obtain it, evidenced an ingenuity and perseverance which testified to their need. Food when obtained, however, was appallingly inadequate in quantity and in quality, and the condition of children and sick people was pitiable. In Great Britain, with its ordered schemes of social insurance and other forms of relief, such a situation can hardly be realised. But it did undoubtedly exist in a considerable number of places in the United States. It was truly said by a social worker in Philadelphia that "people do not starve to death when relief stops; they just starve, with the margin by which life persists maintained by the pity of their neighbours and by a sort of scavenging on the community".¹

Survey of experience in Poland. In 1931 the Institute of Social Economy at Warsaw invited unemployed workers to provide a description of their actual experiences in the battle against misfortune. From the large number of the papers received the Institute published fifty-seven of the more interesting derived from all parts of the country.² The data referred to workers who had lost their permanent

¹ Steel-Maitland (Sir A.), *The New America* (1934, London), pp. 117-18.

² Instytut Gospodarstwa Społecznego: *Pamiętniki Bezrobotnych* (1933, Warsaw), reviewed in the *International Labour Review*, March 1933, p. 378.

employment in 1930 or 1931, that is, during the industrial depression, and it related to those who were employable. Care was taken to sift the documents so that none were included which could not be regarded as authenticated accounts of actual conditions. In most cases the degrees by which the unemployed went downhill were very much the same, and markedly similar to those described in an inquiry made in the United States. The family of the unemployed worker seek casual work, small repairs, running errands, hawking, washing, charring, &c. Then there is the search for assistance from various institutions. There is also the help given by relations and friends. Generally speaking the man is content to accept hospitality so long as it is known that he is not in actual need of it, but very often a destitute man will cease to exploit these particular sources out of pride just when they are becoming essential. A limited and temporary source of income is derived from the pawning or sale of furniture and possessions. Last of all there is the resort to begging. In addition to these resources, there is the temporary one of tradesmen's credit and of arrears of rent, but as soon as the fact of permanent unemployment is known, credit is refused, and very often the landlord evicts the tenant.

It may be asked why unemployment insurance benefits are not available, since Poland has a compulsory insurance system. Many of the workers in this case had not completed the statutory qualifying period, and in any case benefit is for a limited period only, whereas unemployment may last for months or even years. Inevitably a starvation régime and lack of fuel in winter, in a country where cold is extreme, lead to serious demoralization. The lack of warmth and food drives families to sleep as long as possible, and to spend most of the time in bed. These conditions inevitably have an evil effect on family life. 'Where there is poverty there is discord', writes one unemployed woman with bitter brevity. The effect upon the children is disastrous. Long-continued unemployment of the father of the family has very serious effects on family life. Respect for parental authority tends to decrease when the father fails to bring home the weekly money, and it may disappear altogether when his temper gives way under the strain. Social workers in many countries are unanimous on the point. One writer says:

'The mother's most difficult task is to share out the potatoes she has cooked among her unruly children. Each one thinks himself wronged and loudly demands his rights. And do not imagine that a children's quarrel of this kind is a mere game! It often develops into a serious battle. In such cases fists are never used since all the children are as weak and frail as

shadows They catch up knives, pokers, pieces of iron, and throw them at one another with all their strength. And all for the sake of a few mouldy potatoes!’

The compilers of the book appear to be convinced that the ‘out-of-works’ suffer as much from the humiliation of the position and from boredom and despair due to idleness as from the actual privation. In many cases the apparent injustice of their inability to find work induces revolt against the system which brings with it unemployment. This is more especially the case with younger men.

Some case-studies in America in normal times. In the prosperous months in America before the crash in the autumn of 1929 the Unemployment Committee of the National Federation of University Settlements collected a number of case-studies of unemployment.¹ The object was to show the effect of unemployment on family and social life. The conditions described in the book, says the editor, are not extraordinary; they do not belong to a time of depression; they merely show the wastage of human material among the out-of-works. None of the wage-earners whose stories are given was out of work by his own fault. Nearly all had good past records of work. Business depression in the individual undertaking accounted for the largest number of instances of being ‘laid off’; next came the seasonal character of the work; next, mechanization and technological changes; and, last, changes in markets and styles. Some were still hunting for jobs, some had fallen back on casual labour, some found themselves too old for re-employment. In the better-class families savings were being used up, food was cut down, with serious results in malnutrition and sickness among the children. The stages were usually in the same sequence: lapse of insurance policies, pawning luxuries, sale of furniture, bills, seizure of furniture, loss of goods partly paid for on the instalment system, &c. Discouragement and anxiety on the part of the breadwinner brought discord into the home in many cases. Lowered morale brought in its train in some instances drinking, in others minor crimes, juvenile delinquency, and even suicide and attempted suicide. The hunt for work is itself demoralizing. ‘He’s always walking or looking’, said the wife of a roofer, ‘the places are so far apart that his feet get sore. . . . He’s been everywhere—the day shifts and the night shifts. Sometimes he don’t know where he’s walking.’

Effects on Municipal Life. Not only does unemployment cause

¹ Industrial Research Department, Wharton School of Finance and Commerce, University of Pennsylvania: *Research Studies XII: Case Studies of Unemployment*, edited by Marion Elderton (1931, Philadelphia).

disintegration in the home, but where it is intensely concentrated—where, for instance, practically the whole working population has been engaged in a single industry which has closed down—whole townships and villages may become virtually derelict. The maintenance of the necessary services becomes extremely difficult, and the general hopelessness of the surroundings increases the depression of the individual. The deterioration of a whole community reacts on every member of it. In Saskatchewan in 1934 forty rural municipalities, fifty villages, and twenty-seven towns had defaulted in their debenture payments. Hundreds of rural and village school districts defaulted.¹ Many rural schools were closed in winter because they could not be heated and because the children had no warm clothes in which to go to school.

4. *Effect on Young People.*

Growing up without the habit of work. The effect of idleness or of intermittency of work on young people is universally recognized to be one of the most serious aspects of the unemployment problem. A considerable number of the youthful working population in industrial countries are growing up without acquiring the habits of regular work necessary if they are to become useful members of the community.² In many cases unemployed young people suffer enduring physical damage on account of the lack of sufficient food, clothing, and shelter at an age when these are of the greatest importance.

The moral effects of unemployment are also serious. 'Perhaps of all the disadvantages of prolonged unemployment in youth', writes Sir George Newman in the Report on *The Health of the School Child*,³

¹ 'Rural Saskatchewan', in *The Canadian Economy and its Problems*, Canadian Institute of International Affairs (1934, Toronto), p. 103.

² The most disturbing feature of the position in Cumberland is the almost complete absence of openings for juveniles. Children are going into blind-alley occupations 'endangering their whole economic future and threatening to produce, for the next quarter of a century . . . a body of unemployable persons who have had no industrial training, no experience of a regular working life and who have never known conditions under which it was possible to maintain themselves by their own efforts'. The region can offer progressive work to very few of its younger workers. A reduction of the insured population by 10,000 persons would probably be required to eliminate unemployment, even if a return to the 1929 scale of output were possible. Meanwhile (the report suggests) the two urgent tasks are: first, to deal with the partially derelict areas, such as Cleator Moor and Maryport; and, secondly, to prevent a wholesale degeneration of the population which is threatened in the future by the present unemployment among juveniles (Jewkes, (J.) and Winterbottom, (A.), *An Industrial Survey of Cumberland and Furness* (1933, Manchester))

³ *Annual Report of the Chief Medical Officer of the Board of Education*, 1934, H.M.S.O., pp 153-4.

'the worst are the disappointment and demoralization which ensue on this enforced idleness and the more or less complete wreck of psychological aspirations and hopes. Such young people are liable to become embittered and mentally depressed, and they lose the ground of hope.' Further, failure to supply employment for young people, especially the diminution of apprenticeship to skilled trades, may mean a very considerable lessening of efficiency in all respects of the working population in the next twenty years. Unemployment benefit for young people is by no means general, and in any case is a very small allowance.¹

Mr. Alfred Qurin, a young French unemployed worker, supported a petition on behalf of the Christian Young Workers to the International Labour Conference in 1935 when the question of unemployment among young persons was on the agenda. He spoke of the physical and mental distress into which enforced idleness plunged young persons everywhere.

'We are bound to say (he said) that when we think of the future we are afraid, the fear of life overwhelms us, it destroys the zest, the joy, the confidence—all the buoyant enthusiasms which create the strength and the beauty of youth. No one will ever know the full measure of the pain which gnaws the hearts of the young victims of persistent unemployment. They are gone, those days when we could take home our pay. We wonder how much longer we can dare to sit at the family table. At times we dare not eat. We are ashamed, and would fain go away so that we need no more take the bread of those who have earned it by their labour. We ought to be helping our parents, but we are to them only a cause of distress. We ought to be bearing our share of the burdens of our homes, but we are only a charge upon them. Many of us do help our families so far as it is in our power, by forgoing some things that are necessary to us in order to leave enough for our younger brothers and sisters. The cost is hunger and malnutrition at the very age when the growth of the body demands wholesome and strengthening nourishment. . . . It is full time to come to our relief, to save us from the despair and discontent which beset us more and more every day. It is not possible that people should abandon us to our fate.'²

Migratory unemployed in America. In the United States there is always in normal times considerable travelling in search of work, especially among 'seasonal' workers. The movement was intensified during the depression, when the wanderers searched in vain for work. Thousands of young men were on the move, travelling as stowaways

¹ In the British insurance system the gap between school age and insurance is now closed.

² *Industrial and Labour Information* June 17, 1935, p. 393.

on freight trains and acquiring habits of vagabondage. The tale of fatal accidents on the roads and railroads to these transients is terrible enough, but the permanent effect on the thousands of young wanderers who survive is perhaps still more serious. Many have served terms of imprisonment at the places where they got off, or were thrown off, the trains, and thus start life with a jail record. Others fell ill through privation. The States and municipalities in which they found themselves had already their own problems of relief, and could not take on more responsibility. Their position, in fact though not in law, was not unlike that of the English vagrant under the old Poor Law who had lost his 'settlement'. An official estimate¹ in 1933 put the number of vagrant unemployed in the United States as between $1\frac{1}{4}$ and $1\frac{1}{2}$ million men and boys. Many of them had been on the road looking for work for years. Most of them travelled buffer-jumping; but about 10 per cent. were hitch-hikers. A special department of the American Relief Administration was organized to deal with these 'transients'. Nearly every country has been compelled to adopt special measures to prevent the deterioration of young unemployed persons.

5. *Effect on Public Health*

No serious increase in mortality. In spite of the heavy incidence of unemployment the mortality rates in the great towns of Europe showed no deterioration in 1932. The Health Section of the League of Nations found no serious increase of mortality except among older persons. The latest report giving the figure for 1933 and for part of 1934, after four years of crisis, confirms these conclusions.²

The quite reasonable idea that unemployment, by reducing the standard of living, must increase the mortality rate does not, in reality, fit in with the facts. Experience during former crises has demonstrated that the rise in general and tubercular mortality has quickly followed scarcity in foodstuffs. Malnutrition appears to be most likely to be reflected speedily in the tubercular mortality rate. In Germany, for example, in the War and post-war periods, tubercular mortality and food shortage followed parallel curves, beginning in 1915, rising in 1916 and reaching a maximum in 1918, and falling again in 1919. Industrial districts were much more affected than agricultural areas, where food restrictions were naturally not so

¹ International Labour Office: *Industrial and Labour Information*, Dec. 4, 1933, p. 309.

² See a special report on 'Public Health during the Depression' in League of Nations *Quarterly Bulletin* of the Health Organization, Sept. 1932, and subsequent reports on health conditions.

stringent. The inflation years of 1922 and 1923, when food was scarce owing to lack of purchasing power, again saw a rise in tubercular mortality. In 1923, when the monetary crisis was over, it again fell. Thus the figure of tubercular mortality followed very quickly upon the food crises due to war and inflation. It is therefore significant that the years of the recent economic crisis show no perceptible increase in general tubercular mortality rates.¹

The fact that there has been no rise in the infant mortality rate in European countries or in North America during the depression may confidently be ascribed to the great improvement in the health and other services immediately connected with infants and young children in recent years. In Italy, for instance, the Opera Maternita Infanzia has in the last eight years a record of assistance for 5 million mothers and children, and the establishment of 7,500 institutions of various kinds for young children, with an expenditure of 800 million lire. In all European countries health services for mothers and children have been improved.

There has, however, been an increase since 1931 in the spread of typhus in countries where that disease is endemic. The figures began to rise in 1931 and have been augmented each year since.² Unemployment, if not a direct cause of the disease, is no doubt a contributory cause, because it forces numbers of impoverished people likely to spread the disease to wander from place to place in search of work.

Fall of food prices concurrent with unemployment. The unexpected failure of the mortality statistics to reflect the economic depression is an important fact. Perhaps one of the reasons is to be found in the concurrent fall in the price of foodstuffs. That fall is in itself a symptom of the crisis, but there is no doubt that it has mitigated the effects of the depression on the unemployed. The lowering of wages has been offset to some extent by the cheapening of foodstuffs. Statistics of production and consumption of certain essential food products prove that during the years of economic crisis world con-

¹ Although the general tuberculosis mortality rate has during the depression kept more or less on the downward course it has been following for some years back, the infant mortality from tuberculosis in Germany, after falling from 9.9 per 10,000 in 1928 to 8.7 in 1930, rose again to 9.8 in 1932. The proportion of deaths from tuberculosis among children aged 1-4 years was also higher in 1931 (5.1) than in 1930 (4.6). The mortality from tuberculosis for the whole population remained stationary in 1931, instead of falling as in previous years. (Dr. Lopes, 'The Economic Depression and Public Health', *International Labour Review*, June 1934, p. 803.)

² The figures for Poland were 3,490 for the first half of 1934, compared with 1,820 and 2,132 in the corresponding period of the two previous years. In Yugoslavia the increase was even more considerable, rising from 224 and 570 in the first half-years of 1932 and 1933 to 1,950 in 1934.

sumption has not sensibly diminished, though it has not increased proportionately with the growth of population. It is important to remember this fact in order to understand the paradoxical decline of general and tubercular mortality in the countries affected by the depression. A comparison of food prices in certain European countries and principal cities in the first quarter of 1934, with the mean price of 1929, shows that the diminution during the depression ranges from 19 to 43 per cent.¹

Physical and mental debility. The fact that there is no rise in the mortality rates does not necessarily mean that the results of widespread unemployment on the national health are not serious. An unemployed man who spends much time in sleep requires less food than when he is fully employed. On the other hand, the wife is bound to suffer. 'The reduction in the family budget often means that she must work harder . . . and the woman probably suffers greater privation than the other members of the family, because she often stints herself for the sake of her husband and children.'² For the man himself, idleness *for a limited period* may not be detrimental where reasonable relief is available. There is mortality due to heavy and exacting work, or in dangerous trades, which is diminished in slack times. But far more information is required before any definite conclusions can be reached.

Part of the increase in suicide in certain European countries has been attributed to unemployment—in Warsaw, for instance, 5.2 per cent. of deaths by suicide were ascribed to unemployment in 1928 and 18.3 per cent. in 1931—but it is necessary to remember, as Sir George Newman has pointed out in another connexion, the different attitude to the act since the War. There is some statistical ground for the suggestion that mental instability as a whole has increased during the depression.³ In the House of Commons on July 7, 1933, the Minister of Health said that the regional medical officers' reports

¹ France 19 per cent. (Paris 19 per cent.); U.K. 23 per cent.; Czechoslovakia 23 per cent. (Prague 22 per cent.); Italy 25 per cent. (Milan 25 per cent.); Germany 27 per cent. (Cologne 29 per cent.); Netherlands 27 per cent. (Amsterdam 23 per cent.); U.S.A. 31 per cent.; Hungary 39 per cent. (Budapest 38 per cent.); Poland 43 per cent. (Warsaw 42 per cent.).

The course of food prices is available at regular intervals in the statistical tables published in the *International Labour Review*. There was a rising tendency in the later months of 1934 in most countries. The cost of living has not dropped everywhere quite so heavily as the price of food. In Paris the fall in the cost of living is small. For the complicated considerations entering into the French cost-of-living indices see Cahill (Sir R.), *Economic Conditions in France* (Dept. of Overseas Trade, 1934, London, H.M.S.O.), pp. 72-8.

² Dr. Lopes, 'The Economic Depression and Public Health', in *International Labour Review*, June 1934, p. 802.

³ Dr. Lopes, op. cit., p. 810.

gave clear evidence that anxiety and trouble due to unemployment had some effect on the mental health of the people. Men who have been accustomed to regular work become very depressed in idleness. This statement was confirmed by the results of a special inquiry by a group of regional medical officers into the state of nourishment of insured persons, an account of which is included in the *Report of the Chief Medical Officer of Health for 1933*.¹ This evidence points to an increase in ill health of a neurasthenic type among men in certain depressed areas—Northumberland and Tyneside, the Manchester and Liverpool districts, and east and south-east London. Malnutrition among adults was reported among a small section of the adults in certain areas. In South Wales and in north-west Cumberland health conditions showed an improvement. Cases of anaemia are noted after childbirth in the north of England. Slowness of recovery after illness among men may perhaps be attributed to unemployment. Incapacity for work attributed to loss of muscular and mental tone or mental depression occurs most among older men and heads of families.

A special difficulty arising out of long-continued unemployment is that workers may fall out of sickness insurance schemes by failure to pay the necessary contributions. This difficulty has been met in Great Britain in 1935 by the special legislation introduced in May to prevent the lapse of sickness insurance.

Extent of malnutrition of children. The Board of Education report on *The Health of the School Child in England and Wales for 1933* showed that 11.1 per thousand were found to be malnourished and requiring treatment and 12.8 per thousand to be undernourished and requiring observation—a total of 44,339. The provision of school meals and other services has accomplished much, but that 'does not say or mean that present standards of health and nutrition cannot be improved'.² In 1933 the proportion of poorly nourished schoolchildren in London was 4.7 per cent., the lowest ever registered in London, and in Manchester the proportion fell from 1.38 per cent. of the number inspected in 1929 to 0.63 per cent. in 1933. In the latter city malnutrition among schoolchildren had decreased by one-half in the preceding five years. On the other hand, in certain depressed areas there has been a definite deterioration in nutrition since 1931. This has been most marked in the children of the 'fair group' as distinct from the 'good' and 'bad'.³

Conditions in the United States vary from State to State and from

¹ See the summary in *The Times*, Sept. 19, 1934, p. 12.

² United Kingdom: *Annual Report of the Chief Medical Officer of the Board of Education* (1934, London, H.M.S.O.), pp. 14 seq.

³ *Ibid.*, pp. 17-27.

city to city. In Massachusetts, Western Virginia, Philadelphia, and New York City, the percentage of schoolchildren suffering from under-feeding increased during the depression.

An inquiry carried out in three American cities by the Federal Public Health Service and the Milbank Memorial Fund brings out very clearly the correlation between morbidity and diminished incomes.¹ In Birmingham, Detroit, and Pittsburg morbidity was higher in families which had come down in the scale than in those which had remained at about the same level of poverty or comparative wealth. It was found to vary with the number of persons employed in the family. The morbidity rate for families in which every member was out of work was 122, as against 98 for the families with one member in at least part-time employment, and 88 for those with one member working full-time. The number of cases is perhaps small for generalization, but it is fair to conclude that loss in income is one factor in lowered health record.

6. *Expenditure of Unemployed Families*

Recent inquiries into minimum requirements. Various studies of the conditions of nutrition amongst unemployed persons have been made. They have centred chiefly on the consideration of whether existing benefits and social services taken together are sufficient to supply minimum food-requirements. The results of various German inquiries into the nutrition of families of the unemployed are summarized in the article by Dr. Lopes already cited. They show very little margin for expenses for other purposes than food, and the existence of malnutrition appears to be confirmed by the examination of schoolchildren. The situation is made worse by the inability of some municipalities to maintain the full allowance formerly made for the provision of school meals and milk.

An attempt to arrive at the minimum weekly expenditure on food-stuffs necessary for a family to retain health and working capacity was made in 1933 by the British Medical Association.² The Com-

¹ Dr. Lopes, 'The Economic Depression and Public Health', in *International Labour Review*, June 1934, p. 805. See also: 'The Effects of the Economic Depression' on the population of Vienna, by A. Gotz, W. Kornfeld, and E. Nobel in the League of Nations *Quarterly Bulletin* of the Health Organization, Sept. 1934. This gives a very detailed and important statement of special aspects of physical development and can hardly be summarized here.

² *Report of Committee on Nutrition*, London, 1933. A report on the *Criticism and Improvement of Diets* issued by an Advisory Committee of the Ministry of Health appeared to differ from the British Medical Association report. Eventually a joint committee representative of the Ministry of Health and the Association was formed and found a compromise in a sliding scale of requirements. Since these pages were written a study on 'Nutrition and Public Health'

mittee found that the recipient of unemployment insurance benefit can provide for his family at the average prices found by the investigators to be prevailing, provided that rent was as low as 5s. a week, that 2s. 6d. was sufficient to meet all other expenses, and that the wife was capable of securing the maximum nutrition for her expenditure on food. Town rents, however, are rarely as low as this; but happily there are mitigating circumstances in a large number of cases. The household is a unit and some member or members may be earning wages. Poverty is worst in those areas, like the mining areas, where there is practically no employment except in heavy work for which men are required. In areas where there is light industry as well as heavy industry the unemployment of the head of the household may be partly compensated by the earnings of the woman and young people. Again, in ports where a large percentage of workers are casual labourers, the definite weekly allowance paid either in respect of unemployment insurance or public assistance may have certain advantages for the wife, who can thus control expenditure and budget for necessities accordingly. The importance of the question of the standards of nutrition of the working population is now beginning to be generally recognized. A resolution for the continuance of an inquiry into these standards was unanimously adopted by the International Labour Conference in June 1935. Sir Frederick Stewart, Australian Government representative, in moving the resolution, pointed out that better standards of nutrition would help to solve many important social problems, would reduce the losses due to sickness, and would benefit world trade.

Rents. The crucial question for the British unemployed family in the towns is the question of rent.¹ In London rents range from 9s. to 17s. 6d. where there are housing schemes (average charges may be put at 5s. per room), but elsewhere those families who are forced to find rooms may pay as much as £1 for very inferior accommodation in a couple of rooms. From this point of view the mining districts (in many cases no rent is paid) are better off, and in provincial towns rents are not usually so high as in London. In some depressed areas in Great Britain considerable migration of the population to other areas has left many houses unused, with a consequent fall in rents.

by E. Burnet and W. R. Aykroyd has been published by the Health Organization of the League of Nations in their *Quarterly Bulletin*, June 1935.

¹ The regulations of the Unemployment Assistance Board provide that relief shall vary according to the amount of rent paid, the normal or 'basic' rent being 7s. 6d. a week (Cmd. 4765 of 1934, H.M.S.O.). The relief scales of the new Unemployment Assistance Board, issued in January 1935, were, however, withdrawn for reconsideration.

In the United States information on rent is available for 12 million or more families, excluding those living on farms. The largest single class, forming about one-quarter of the total, is that of homes rented at from 39 to 49 dollars a month.¹ The existence of overcrowding amongst the unemployed has been aggravated by the number of evictions for non-payment of rent. In Cleveland the number of evictions rose from 1,959 in 1927 to 5,777 in 1931; in Buffalo from 190 in November 1930 to 282 in November 1931, and in New York by 59 per cent. during the same period.²

Inquiries by the Institute of Social Problems in Poland showed that rent formed an insignificant part of the budget of unemployed families, the reason being that in 83 per cent. of the cases the accommodation consisted of a single room for each family, the average number of persons to a room being 4.5. As the beds had often been sold with the other furniture, there was on an average only one bed for each 2.7 persons. Most families were in arrears of rent for ten years, but eviction is not permitted. The greater part of the coal used by unemployed persons was obtained by theft. The inquiries showed that marked increases in cases of suicide and in prostitution were among the direct effects of unemployment.³

In Germany there has been a considerable exodus from the towns 'to escape the grip of mass distress', and to escape the payment of city rents. Large numbers of persons were at one time living outside the towns in huts intended for day-time shelters without adequate sanitary equipment.

The scattered information available on effects of unemployment on the well-being and health of the community does not permit of any very definite conclusions. But it is clear that those effects vary according to the wealth of the community, the character of its economy, and the adequacy of the social services. It also seems to be clear that the immediate effect on health statistics is nowhere so great as the degree of poverty would suggest. It is, however, possible that the long-term results on health and physique may be more serious.

¹ The median rental for all classes is 27.15 dollars a month, an amount exceeded by the native white families—27.92 dollars, and by the foreign-born white families—33 dollars, more than double the median rental of the negro families—13.04 dollars. The higher rents averaged by foreign families is put down to the fact that they are more largely urban ('American Rents', *The Conference Board Bulletin*, Dec. 1932, p. 577).

² Williams (J. M.): *Human Aspects of Unemployment and Relief* (1933, Univ. of N. Carolina Press), p. 61.

³ 'Social Conditions of Unemployed in Poland', in *Industrial and Labour Information*, Sept. 18, 1933, p. 395.

CHAPTER III

WHAT IS MEANT BY UNEMPLOYMENT

IN the *New English Dictionary* an early citation of the word 'unemployed' is from Yarranton, *English Improvement*, under the date 1677: 'Admit there be in England and Wales 100,000 poor people unemployed.' As for the noun 'unemployment', the first reference is under the date 1888, quoting from *Science*, vol. xi, that 'the chief purpose of the Inquiry was to ascertain the extent of unemployment generally'.

It is instructive that this should be the first recorded use of the word 'unemployment', but, whether or no the word is new, the phenomenon is as old as the beginning of a society based on the organized production of commodities. In France, ironically enough, unemployment is *le chômage*, which by derivation means *se reposer pendant la chaleur*.

1. Definitions

The term 'unemployment' is a very wide one. Any person who does not work is 'unoccupied' and in a sense might be said to be unemployed. But the technical significance of the word is a much narrower one. The definitions accepted for official purposes (see Appendix II) are usually fixed in conformity with unemployment insurance legislation and the conditions of registration at employment exchanges. They are apt to be misleading, except for purposes of assessment for relief, and are, even then, subject to administrative decisions. But from these *ad hoc* definitions of unemployment some general notion of what constitutes unemployment may be drawn. An unemployed person may be defined as a man or woman or juvenile of working age, between the school-leaving age and the pensionable age, who is technically and physically fit for a job, willing to work, but unable to find work. In practice there are many limitations and qualifications.¹ Obviously much depends on the accepted relation between 'capacity for work' and wages.

¹ Professor Pigou says the volume of employment in any occupation over any assigned period can be defined unambiguously as the number of man-hours of work performed during that period. 'Unemployment, however, is not an equally clear-cut conception. If it meant simply the number of man-hours that exist over a period, during which people are *not* employed, it would be so. But nobody seriously proposes to define unemployment in such a way as to make a man unemployed during the whole of the time (e.g. while he is asleep at night) that he is *not* employed. A man is only unemployed when he is *both* not employed and *also* desires to be employed. Moreover, the notion of desiring

In Great Britain whether a person is 'capable of work' will depend not only upon his skill or strength but also to some extent upon the wage he demands.¹ Each member of the occupiable population is capable of some work; those who are discarded by industry on the grounds of incapacity are those who are not sufficiently capable to justify the remuneration demanded. 'Incapacity' therefore will vary with the changes in the prevailing rates of remuneration.²

In Germany 'capable of work' was, until mass unemployment induced a certain laxity in interpretation, taken to mean that a man is capable of earning, in an employment (suited to his strength and ability) which can reasonably be assigned to him in view of his training and previous occupation, at least one-third of the sum usually earned by physically and mentally sound persons of the same kind with similar training in the same neighbourhood.

Those incapable of doing an average day's work—whether for physical or other reasons—the very young, the very old, and the sick are not to be regarded as 'unemployed'. Moreover, the term does not cover the small independent artisan, who may be idle for considerable periods. Nor does it include the large number of persons in advanced societies who are classed as having no occupation but who have some income.

In short, unemployment represents the disparity between the normal working force and the jobs available.

2. *Kinds of Unemployment*

Whether unemployment is a serious problem or not—for the individual concerned or for society generally—depends on its duration—whether it is a matter of days or weeks or months or years. Unemployment may be roughly classified as complete unemployment and intermittent unemployment.

Wholly unemployed. Complete unemployment may be:

1. Long-continued unemployment, with no immediate hope of re-employment in their own trade for the men displaced. Increasing to be employed must be interpreted in relation to established facts as to (1) hours of work per day, (2) rates of wages, and (3) the state of a man's health. Many ambiguities may and do arise in the relation between the desire for employment and these facts. Pigou (A. C.): *The Theory of Unemployment* (1933, London), p. 3.

¹ It is impossible to make a definite statement on the points, though generally speaking ordinary local rates form the criterion. The question of whether refusal of work on the ground of the wage offered disqualifies a man from unemployment benefit may be settled on the basis of decisions given by the Unemployment Insurance Umpire.

² *An Industrial Survey of the Lancashire Area* (excl. Merseyside), made for the Board of Trade by the University of Manchester, 1932, p. 1.

mechanization of industrial and office work displaces persons ('technological' unemployment) whose manual work can be dispensed with under the new conditions. Displacement also follows on the shifts in industry from one kind of production to another, this means a change of occupation for individuals which may be extremely difficult, and for older men almost impossible.

2. Unemployment due to temporary business fluctuations, where there is reasonable expectation of re-engagement of men within a measurable period. A certain reserve of labour is generally held to be necessary for success in industry. Large orders in engineering mean the taking on of extra men for a period; the absence of the necessary reserve of skilled men would mean under present competitive conditions the refusal of orders which might go elsewhere, or an undue extension of overtime.

3. Unemployment due to long term business depression—the 'depression unemployment' which has been a matter of vital concern to Governments in the last four years.

Intermittence. Intermittence takes various forms:

(a) *Seasonal unemployment.* Among the reasons for the permanence of a certain degree of unemployment in highly organized countries are the seasonal fluctuations in certain industries. The building trade is slack in winter. The domestic market for coal is greater in winter than it is in summer. The clothing trades have their slack time between seasons. Book-production has its peaks in spring and autumn. The hotel season is mainly a summer season. In agriculture there is a demand for casual labour during the summer months for fruit-picking, hop-picking, and to some extent—but a decreasing extent with modern mechanical aids—at harvest. In Hungary, for instance, a great number of workers are taken on in spring and find work to the end of harvest, and then return to the towns for the winter. In many countries agricultural workers look for constructional and building work in winter, and increase the congestion in those industries at a slack period for constructional work. The disparity in employment in the different seasons is most marked in northern countries, and less in warmer latitudes.¹ Even in Great Britain seasonal unemployment

¹ In Canada the contrast between the seasons, the heavy demand for labour at harvest-time, and the seasonal character of the logging industry account for heavy decreases in the demand for labour in winter. An estimate based on the official employment index, covering the period 1924-9, disclosed a 55 per cent. range between maximum and minimum employment in the logging industry, and for construction the range was about 50 per cent. Average seasonal unemployment in logging was 30 per cent. and in construction 25 per cent.

accounts for a larger proportion of the total than is generally supposed.¹ Since customary influences play almost as important a part as climatic conditions in her case, the importance of the seasonal factor is more likely to be underrated than in countries where climate is the main factor, since its effect is distributed in time and is less evident in current statistics, unless figures for individual industries are examined.

But though the causes of seasonal fluctuations are fundamentally due to climate and weather, social habits once established generally go beyond climatic necessities.²

(b) *Short time.* In certain trades (the cotton industry of Great Britain is an example) lessened demand for the product has been regularly met by short-time working of the mills.³ During recent years short time has been adopted in many industries in different countries to avoid dismissals. It tends to be superseded by the rota system under which a group of workers are laid off for a week or a fortnight at a time, workers taking their turn of unemployment. Short time is not, generally speaking, a normal feature of industry as seasonal unemployment is. It is a device to prevent the dispersal of the labour force during periods of depression in the industry concerned, and to spread the loss of wages due to shortage of work over the whole body of workers in the establishments concerned.

(c) *Casual labour.* This covers certain occupations in which the demand for workers is variable from day to day, the typical case being port labour, for which the demand is regulated by the times of the arrival and departure of ships. But the term also covers less organized demand for many kinds of odd jobs.

¹ See Saunders (C.) in *Economic Journal*, June 1935.

² 'Sometimes fluctuation combines purely climatic with purely customary influences. At the London docks, for instance, tea comes in at one season of the year, timber at another, fruit at another according to climate. The net result is to make the general level of employment higher in the months about Christmas and again in July than it is in the early spring or in August and September. But with this goes a fluctuation dependent upon the customary dates of the wool sales for which large masses of additional labour are required. As a rule the sales take place six times a year and produce a regular up-and-down movement in the aggregate volume of employment. Sometimes, again—as is conspicuously the case with fluctuations of dock employment—the climate to be considered is not that of the United Kingdom but that of some other country whence goods come.' Beveridge (Sir W. H.): *Unemployment: A Problem of Industry* (1931, London), p. 35.

³ There are certain anomalies in the notion of short time, as recent practice in various countries has shown. Working for half time in the mills means twenty-four hours weekly. But a man on government special work in the United States, where a thirty-hour week is prescribed, is not technically under-employed; he is not on short time.

These three groups provide a considerable amount of partial unemployment.

Finally there is unemployment arising out of the inability of some workers to maintain the standard required in modern industry for want of the necessary character or physique to keep pace with the machine. Their employment is not economic at standard rates of wages. The existence of considerable unemployment of this kind among older men and women who have done good work all their lives illustrates the uncertainties of the definitions given above.

'*Hard core.*' The 'hard core of unemployment', as it is called in Great Britain, consists of persons who for one reason or another have been out of work for long periods and are unlikely to obtain work unless the total demand for labour, relatively to the available supply, is very much increased. It is composed of the most diverse elements, including many men and women who could and would work if they had the chance, and a smaller number of persons whose capacity or desire for work is limited. A normal increase is likely to be met by new entrants into industry, and not by extensive recruitment from older men who have been long out of work.

War-time experience showed very clearly how large a reserve of persons not normally occupied could be brought into the industrial field when the demand was urgent. There is always a certain reserve not shown in the returns of persons normally in insurable occupations. *Individual status.* The categories into which unemployment is ordinarily divided must not be taken as defining the status of the individual employed man. They are not necessarily exclusive in his case. The building trade is more or less a seasonal trade, but there may be building operatives who obtain no jobs throughout the year. Sir William Beveridge¹ distinguishes between an inquiry into unemployment and inquiry relating to unemployed men. 'A riverside labourer in Wapping during February 1908 might be suffering at one and the same time from chronic irregularity of employment, from seasonal depression of his trade, from exceptional or cyclical depression of trade generally, from the permanent shifting of work further down the river, and from his own deficiencies of character or education. His distress could not be attributed to any of these factors alone.' That is to say, we can classify unemployment according to the causes, but the classification of the individuals affected is much more difficult.

Significance of unemployment. It may be argued that not all the unemployment due to intermittence is unemployment in the real

¹ *Unemployment: A Problem of Industry* (1931, London), p. 3.

sense of the word, though where unemployment insurance is in force the persons affected are listed among the unemployed. It is a matter of degree, and of the wages paid during employment. If, for instance, wages for work only required by the circumstances on three regular days a week are on the basis of reasonable weekly earnings, the three days not worked may fairly be reckoned as leisure.

Moreover, the significance of 'unemployment' must vary with the general character of a nation's economic activity and mobility. If 'unemployment' is taken to mean the absence of wage-earning, it cannot be applied to a farmer who is not working at a particular time owing to the season of the year or even because agricultural depression makes him slacken his efforts. The same consideration applies to the artisan, the trader on his own account, and a whole range of independent occupations. The importance of 'unemployment' in the strict sense, therefore, depends largely on the occupational distribution of the population. It is less in countries where large numbers of persons are independent workers either in agriculture, trade, or industry. Where the agricultural population is relatively large the proportion of persons farming on their own account is generally large. Where industry is on a large scale, on the other hand, small employers or independent workers form a smaller proportion of the persons engaged in industry and commerce than in less developed regions.¹

3. *Unemployment mainly a Problem of Industrial Countries*

Subsistence production. The world to-day is still much more largely on a subsistence home-production basis than is easily realized by western Europe. Asia contains over a thousand million people, more than half the world's total, and a large proportion of this population depend primarily on their own holding for subsistence, purchase from outside—for salt, for tools, for luxury goods—being very small. As industrialism spreads, the question of employment becomes more urgent.

In China, for example, unemployment in the sense understood in Western countries exists only in the industrial centres, where concentration of population is considerable and is steadily increasing.²

¹ The structure of the occupied population of some important industrial countries is shown in Appendix III.

² In Shanghai an investigation conducted by the Bureau of Social Affairs in July 1928 showed that of the 394,154 workers who had registered with the Bureau, 75,219, or 20 per cent., were unemployed. These figures (Lowe Chuan Hua, *Facing Labour Issues in China*, China Institute of Pacific Relations, Shanghai, 1933, p. 118), however, represent only unemployed persons who are members of labour unions. In the same year the Bureau of Public Safety reported that there were 110,000 'destitutes' in the city area. It is certain

Outside the great cities the problem is not one so much of unemployment as of under-employment accompanied by extreme poverty. The increase of industrialization in China in recent years, and the import of cheap machine-made fabrics from Japan (temporarily checked in the last two years), have caused some dislocation in the rural industries which have hitherto been a necessary supplement to the meagre living to be extorted from minute agricultural holdings. In addition to the dense population of the cultivable area, to floods and bad seasons, to the political disturbances and other unfavourable conditions which have been causes of poverty in China, general world conditions have compelled the return of Chinese workers from other countries, 280,000 in 1931 alone. The extent of under-employment in China must be very great. Chinese authorities¹ estimate that only from 23 to 33 per cent. of the entire population are gainfully employed.

Mixed economies Even in more advanced countries of the world there is a large degree of self-sufficiency in farming communities, especially where the standard of life is simple and where village industry still exists. This applies especially to older settled countries where agricultural production is mainly for the home market and even for a local market. Further, the existence of a large peasant population means that when urban unemployment is severe the unemployed man may be able to tide over short periods of unemployment by return to the home farm.

These considerations explain what is called the crisis-resisting power of western European countries whose population is anchored to the soil by a system of close agricultural settlement. A journey through France shows a people suffering from a decline in prosperity, but not destitution; nevertheless, by English standards, there is serious poverty. Belgium is a closely settled industrial country, but the industrial worker often has a patch of land to be cultivated during enforced leisure. In Sweden, until recently at all events, unemployed industrial workers could find their way back to the family farm and maintain existence. The Swedish Social Board in its report on labour supply and wages in agriculture in 1933 states that grown-up sons who are unemployed return home to the farm to share, for long periods, the meagre provision of the family.² In Italy part of the solution of the unemployment problem among industrial workers is found by their return to rural homes. The world depression affects the peasant, that with the disturbances that have since taken place the numbers must have increased. In Hankow in November 1928 there were reported to be 96,050 unemployed labourers and 6,090 unemployed shop-employees.

¹ Lowe Chuan-Hua, *op. cit.* p. 116.

² *International Review of Agriculture*, Sept. 1933, Rome, p. 363.

but he is able to hold on for a time, if he is not already overburdened with debt,¹ and, if the depression is a short one, until recovery comes.

Newer overseas farming communities. There is some subsistence production in newer overseas countries mainly concerned with agriculture, but generally speaking a large proportion of agricultural production in these areas is for export. Farmers in America and the British Dominions form part of a modern civilization in which division of labour is farther advanced than in Asia. Their outside wants are greater, and even their bread and butter may be bought from the nearest town; with an organization of production on these lines, agriculture becomes more susceptible to the type of disturbance associated with industrial production. This is especially the case in what may be termed one-crop areas, in certain regions of the Canadian Middle West. The droughts of 1930-1 in certain grain-growing districts and of 1933 in others aggravated the situation caused by low prices. 'Normally the amount of government relief required in such areas would be small, but four years of disastrous prices finds every reserve exhausted and consequently one even partial crop failure means complete destitution.'² These conditions do not apply to large areas in Canada where small mixed farms are the rule, as in Ontario and Quebec. Even in the Middle West there is more dependence on food raised on the farm than is generally supposed. In Australia and Canada, more especially in Canada, urban unemployment has been swollen on account of the low price of staple products. If the price of wheat improved, much unemployment in a city like Winnipeg would be eliminated, because improvement in farm income would stimulate business activity in the city.

In all countries where peasants and artisans form a large proportion of the population the *main* problem is one of poverty, not of unemployment, though unemployment in agriculture is by no means negligible. It is, therefore, with highly industrialized countries that we are mainly concerned. Before discussing the available information it is important to consider the value of the statistics provided.

4. *Interpretation of Unemployment Statistics*³

Relative value. The criterion of prosperity and depression which most impresses the average man is the gross figure of unemployment.

¹ The problem of debt is all-important for the farmer. (See Professor Montz Bonn's note cited on p. 125 of this book.)

² Britnell (G. E.), 'Rural Saskatchewan', in *The Canadian Economy and its Problems* (1934, Canadian Institute of International Affairs), p. 107.

³ For a discussion of this question see *Methods of Statistics of Unemployment* (Studies and Reports, Series N, No. 7, 1925, International Labour Office,

It is, therefore, important to understand something of the way in which these statistics are compiled, because an exaggerated figure may cause undue pessimism with serious reactions on investment and the provision of employment, while under-estimates cause an undue optimism which may have unfortunate results also.

Unemployment figures vary very much in value, according to the validity and extent of the basis on which they are compiled, and according to the motive for their compilation. They should be examined in relation to the figures of employment, but these are only available in a few cases.

The statistics of numbers in actual employment published periodically for certain countries are calculated on varying bases; in no case do they represent the whole *occupied* population (this only appears in census figures, see Appendix III), and for most countries they omit large groups of employed persons.

They are calculated either

- (1) by deducting from the total figure of persons insured against unemployment the persons registered at the employment exchanges or other points of control as unemployed; or
- (2) by the use of periodical returns from employers in establishments employing more than a certain number of workers.

Unemployment statistics are based on one or other of the following calculations:

- (1) Trade-union returns of their unemployed members. These refer only to one section of the working classes. They have special interest, nevertheless, because they are in certain countries available over a considerable period before any other statistics of unemployment were compiled. They also afford information respecting unemployment in particular trades not generally otherwise available.
- (2) Employment Exchange statistics of persons seeking work. These figures include persons in non-insurable occupations seeking work, and even some who have jobs in insurable occupations and wish to change them.
- (3) Persons in receipt of the various kinds of unemployment benefit or relief.

Effect of legislative changes on unemployment counts. In countries where unemployment insurance provides considerable benefits a large number of persons may be found recorded as unemployed who would not be considered unemployed in countries where unemployment Geneva), and the report of the proceedings of the Second Conference of Labour Statisticians in the *International Labour Review*, July 1925.

benefit is negligible, or only available for total unemployment. The course of the figures for any one country does show roughly the course of unemployment, though changes in legislation may accentuate or minimize variations. An example from British statistics is the operation of the Unemployment Insurance Acts of 1924 (No. 2), of 1930, and 1931. Changes under the 1924 Act were estimated to have added to the Register about 70,000 persons to the numbers recorded as unemployed, who would not otherwise have registered; additions of a similar magnitude were made under the Act of 1930; the Act of 1931, taken in conjunction with the Unemployment Insurance (National Economy) Order No. 20, is thought to have diminished the number by about 90,000 persons who had ceased to register without, apparently, obtaining new employment. The startling change in the German figures in 1933 and 1934 was partly due to administrative changes.

The degree of incentive to registration influences the statistics and makes them a less exact measure of comparison between different dates. At the end of July 1930 a law came into force in Queensland providing for the collection of 'special taxes to be used for the relief of unemployment and for the provision of relief work'. At that date adult unemployed registered 15,529, on June 30 of the following years the numbers were 20,026 (1931); 30,292 (1932); 37,329 (1933). Some part of this increase was attributed to the fact that registration was a condition of relief.

The Polish Minister of Social Welfare in February 1934 remarked on the apparently contradictory Polish figures. From 1932 onwards fewer unemployed were registered, though fewer persons were in employment. Then in a period of trade improvement unemployment figures showed a rise from 280,000 (the highest point of 1933) to 400,000 in February 1934. The explanation of the contradiction between the employment and unemployment series is that while the depression was at its worst unemployed persons gave up their visits to the exchange as useless and were struck off the register, and it was only when employment showed signs of revival and vacancies occurred that registration went up. There was no incentive to register except that of finding work, because relief had been, since 1932, in the hands of local relief committees and had not been paid through the exchanges. It is true that other circumstances tended to send up the numbers actually unemployed, especially the suspension of some schemes of public works,¹ but the increased chance of notification of work accounted for a large part of the increase of applicants at the Exchanges.

¹ *Industrial and Labour Information*, (Mar. 12, 1934, Geneva), p. 365.

'Invisible' unemployment. Changes in the qualification for benefit in the direction of increased stringency inevitably reduce numbers on the official list without a necessarily corresponding increase in employment. The Institut für Konjunkturforschung (*Weekly Report*, September 28, 1932¹) makes an attempt to estimate the number of 'invisibly' unemployed in Germany on the basis of sickness insurance and unemployment exchange records. It was found that the aggregate working population included in the Sickness Insurance statistics (which provide the measure of employment²) or registered as unemployed or incapacitated by illness reached a maximum of 20·6 millions in June 1929, and that in September 1932 the number had decreased to 18·3 millions. The opinion is expressed that the two million workers who have thus disappeared from the records are for the most part 'invisibly' unemployed, i.e. unemployed who do not register with the employment exchanges. This conclusion is based on the assumption that between the two dates there was no considerable decrease in the working population, and it takes no account of any 'invisible' unemployment there may have been in June 1929, which is unlikely to have been considerable, as registered unemployment was very small at that date. Of course, many of these 'invisibly unemployed' may have found work on odd jobs, or as independent tradesmen. This block of unregistered labour, which may or may not reach the figure indicated, is more exactly defined by the Institut as 'part of the invisible supply of labour on the market, which in the event of the improvement in the possibility of finding employment in ordinary conditions would, for the most part, materialize again as effective supply'.

Since that inquiry was made there have been drastic changes in administration which make the German figures for 1933 and 1934 no longer as comprehensive as those of earlier years. But if the margin was so great in a country whose statistics have been as comprehensive as they were at that time in Germany, it is certain that they are relatively much larger in countries where registration is on a much narrower basis.

Inadequacy of statistical material. For various reasons official statistics of unemployment generally tend to underestimate the total of workless people, but for Great Britain, and, until recently, for Germany, the statistics are fairly complete for the wage-earning classes. Unemployment figures for Austria and Belgium are on a

¹ Cited in *International Labour Review*, July 1933, p. 52.

² The names of those receiving sickness insurance benefit are removed to another register.

substantial basis. Fairly good estimates are available for Czechoslovakia, Denmark, the Netherlands, and Switzerland. The basis is narrower in Australia, Poland, and Sweden, and information is incomplete in France and conjectural in the United States.

Calculated on the basis of the 'occupied' population according to the census of 1920-1, as given in the *League of Nations Statistical Year Book*, the percentage of 'occupied' persons of all classes covered by the unemployment insurance statistics in May 1933 in countries for which data are available is as follows.¹

TABLE I

Proportion of the Working Population covered by Unemployment Insurance Statistics

Great Britain	.	.	67.4
Germany	.	.	57.2
Austria	.	.	38.2
Belgium	.	.	33.3
Czechoslovakia	.	.	25.0
Netherlands	.	.	22.2
Denmark	.	.	21.4
Switzerland	.	.	21.1
Australia	.	.	17.4
Poland	.	.	15.6
Sweden	.	.	15.4
Norway	.	.	5.0
Canada	.	.	3.1

The large part played by small farming helps to explain some of these low percentages, but unemployment statistics in many countries named only cover a small part of the field.

Census and current figures. For countries where only trade-union statistics or relief fund data are available, the figures, though they give some idea of the increase or decrease of unemployment from year to year, do not indicate its magnitude. In France absolute numbers of unemployed as revealed by the censuses of 1911, 1921, 1926, and 1931 were 209,000, 523,000, 243,000, and 491,891 respectively. There have long been two official indices, the index of *chômeurs secourus* and of *demandes d'emploi non satisfaites*. Between 1921 and 1930 the former index, taken at the end of each month, never reached 100,000, and from September 1923 onwards was often less than 1,000; the second never reached 100,000 and was usually less than 20,000. The figures for the last three years have been heavier but still do not give an absolute measure of unemployment.

¹ *International Labour Review*, April 1934, p. 478.

The following table¹ gives some outstanding examples of the difference between census and current unemployment statistics.

TABLE II
Census and Current Unemployment Statistics Compared

Country	Nature of statistics	Date	No unemployed
Australia .	(a) Unofficial estimate	Middle 1932	400,000-550,000
	(b) Trade-union returns	June 1932	124,068
Canada .	(a) Population census	1 June 1931	435,252
	Unofficial estimate	1 May 1932	724,594
	Official estimate	Mar. 1933	650,000
	(b) Employment exchange statistics	June 1931	49,324
	Ditto	May 1932	76,269
	Ditto	Mar. 1933	79,964
Czecho-slovakia .	(a) Population census	1 Dec. 1930	299,487
	(b) Employment exchange statistics	Dec. 1930	239,564
France .	(a) Census of occupation	8 Mar. 1931	419,891
	(b) Employment exchange statistics	Mar. 1931	71,936
Hungary .	(a) Census of population	1930	224,103
	(b) Employment exchange statistics	1930	43,592
Norway .	(a) Population census	1 Dec 1930	111,124
	(b) Official estimate	Nov. 1932	158,000
	(c) Employment exchange statistics	Dec. 1930	27,157
	Ditto	Nov. 1932	38,807

The unofficial statement quoted for Australia is based on a calculation made by Mr. Roland Wilson of the Commonwealth Bureau of Census and Statistics. Even the higher figure does not give a true picture of unemployment in Australia in 1932, since the loss of employment owing to short time was probably one day's work in five for 20 per cent. of the workers still employed. The equivalent of this short time reckoned in full-time unemployment would be considerable. The unofficial estimate given for Canada, May 1, 1932, is based on a paper presented by three Toronto professors to the fourth Annual Meeting of the Canada Political Science Association held in May 1932. The official estimate of 650,000 unemployed for March 1933 is based on the unemployment census of 1931 combined with changes in employment since that date.² For Argentina a general census of unemployment was taken in September 1932. It showed 148,805 persons who had been unemployed for more than nine months, 115,030 unemployed for nine months or less, 35,614 partially unemployed, and 34,548 seasonally unemployed, making a total of 333,997 persons. In Greece, a census undertaken May 15-16, 1928, showed 82,000

¹ 'Some Recent Censuses or Estimates of Unemployment', in *International Labour Review*, July 1933, p. 47 et seq.

² Some observers put the figure higher. See Whiteley (A. S.): 'Workers during the Depression', in *The Canadian Economy and its Problems* (Canadian Institute of International Affairs, 1934, Toronto), p. 111.

'unemployed. According to the estimate of the General Federation of Labour the number unemployed, including some seasonal workers, in subsequent years was: 1929, 127,000; 1930, 165,000; 1931, 218,000; 1932, 237,000. These figures include some seasonal agricultural workers.

United States estimates. American estimates differ very widely. In the United States of America a census of unemployment taken in April 1930, as part of the enumeration of the population for the Fifteenth Census, showed 2,429,062 persons out of a job, able to work and looking for a job, out of a total population of 'gainful' workers of 48·8 millions. This figure did not include persons temporarily laid off without pay for various reasons, to the number of over $\frac{3}{4}$ million. About 30 per cent. of the unemployed had been idle for less than a month, and about 3 per cent. for more than a year. In January 1931 a special unemployment census was taken in the nineteen principal industrial towns, with a total population of over 20½ millions. The wholly unemployed amounted to 1,930,666 and the temporarily unemployed to 368,199. The American Federation of Labour publishes from time to time figures of the total number of unemployed in the United States estimated according to a uniform method.¹ These showed 10,304,000 unemployed in January 1932 and advanced steadily until March 1933; at the peak of unemployment, the figure was put at 13,359,000. The trade journal *Business Week* also uses the census as a basis, but uses other sources in addition to those of the Bureau of Labour indices. Their estimate for November 1932 amounted to 15,252,000. Still higher is the estimate of the Labour Research Association which includes estimates of migratory or homeless workers.

The wide differences between the American estimates show the unreliability of estimates which are not based on definite registration.

Duration not specified. In addition to the various reservations with regard to the scope of the figures and the basis of calculation there is another difficulty. Even if the figures at any given date were perfectly accurate and comprehensive, they would not give us a complete picture of the severity, or the reverse, of the situation. They indicate the number of persons looking for work; they do not indicate the duration of unemployment. 'The fact that the *unemployed individual* and not the time lost by unemployment', writes Mr. John Lindberg,² 'is used as a basis for the statistics is of great importance in their

¹ To the number of unemployed recorded by the 1930 census is added the supposed number of new unemployed since that date. This figure is obtained by applying the group employment indices of the Bureau of Labour Statistics to the number of gainfully employed as recorded by the census.

² See *International Labour Review* for April 1934, p. 476.

interpretation. A given change in the amount of employment available need not result in a corresponding change in the number of unemployed persons.'

An examination of the British statistics illustrates this fundamental point. If we want to understand the British problem, we need to find out how many of the persons recording unemployment on any particular day have any prospect of getting back to work within a reasonable period and how many are likely to continue to be unemployed. In fact, we need to get at what is called the 'hard core' of unemployment. For this purpose some categories of unemployed are obviously more important than others. The inclusion in the published figures of unemployment of persons who are on their holiday, of juveniles in the first two or three months after leaving school, of persons on short time, of persons whose employment is casual, and of other borderline cases, though inevitable under the conditions of British registration, is unfortunate in some respects. On the one hand, the high figure gives a darker picture of industry on the whole than is justified by facts, and to that extent tends to produce a pessimistic outlook which acts as a deterrent on investors and in itself helps to aggravate the evil. On the other hand, the stress laid on the gross figures, and the tendency of readers to discount these figures by adopting an exaggerated estimate of the proportion of those on the register who are not seriously affected by unemployment—an estimate liable also to be affected by their experience of the more prosperous districts—tends to distract public attention from the very serious problem of those areas and of those trades where unemployment is endemic.

For a more detailed examination of the British statistics see Appendix IV.

CHAPTER IV

THE PERMANENT PROBLEM

THE explanations and reservations given in the preceding chapter with regard to the validity and comprehensiveness of the statistical material available must be borne in mind in reading the following pages. These are concerned mainly with unemployment in the years before the depression and the best available pre-war estimates for purposes of comparison, and not with the abnormal unemployment of recent years, when the numbers in three great industrial countries, with a total working population of say 70 millions, reached unprecedented figures.

TABLE III
Gross Unemployment Figures, May 1933

	<i>Unemployed in May 1933</i>	<i>Per cent.</i>
Germany	5,038,640	26·9
United States of America	12,896,000*	33·0†
United Kingdom	2,626,319	20·4‡

* *American Federationist* (Washington), August 1934.

† Trade union percentage.

‡ United Kingdom: *21st Abstract of Labour Statistics* (Cmd. 4625 of 1934, London, H.M.S. O.), p. 52.

1. *Pre-war 'Normal' Unemployment*

These figures represent unemployment far beyond anything experienced in pre-war years, and far beyond anything even in the post-war depression of 1920–2. The two countries for which partial statistics are available over a considerable period show that the margin of unemployment, of reserve labour, was always a substantial one.

Great Britain. For Great Britain we have the number of members of the trade unions reporting to the Board of Trade who were returned by them as totally unemployed at a particular date in each month and the percentage they constituted of the total membership. These figures, which are available from 1860 onwards,¹ do not cover short

¹ For the figures month by month from 1894 to 1908 see Beveridge (Sir W. H.), *Unemployment: A Problem of Industry* (1931, London), pp. 18–31. See his comments, pp. 21–2, on their use. He concludes: 'It is best, therefore, to give up all attempts to use the trade union returns as an index to the actual volume of unemployment in the whole of industry. There are points in respect of which the percentage based upon them is clearly too high. There are other points—though not so many or so important as is generally assumed—in respect of which the percentage tends to be too low. In any case the magnificent generalizations reached by applying the trade union unemployed

time or all labour. They refer to skilled men only in certain trades, ranging in numbers from 386,000 in 1894 to 993,000 in 1914, a small sample of the employed population, and not completely representative. It was not even a constant sample, since the proportion of trade-union membership to the total wage-earning population was variable. Moreover, industries subject to heavy fluctuations were heavily represented, while industries with comparatively stable employment, such as railways and agriculture, were not represented at all. But the figures may be accepted as indicating that unemployment was always considerable even in good years. Between 1894 and 1908 the percentage of unemployed did not fall in any year below an average of 2·0, and in the worst year was 7·8. The figures for the twenty years before the War are as follows:

TABLE IV

Annual mean of Monthly Percentages of Unemployed among Members of certain Trade Unions which supplied returns, before the War, to the Labour Department of the Board of Trade.

<i>Year</i>	<i>Average percentage unemployed</i>	<i>Year</i>	<i>Average percentage unemployed</i>
1894 . . .	6·9	1904 . . .	6·0
1895 . . .	5·8	1905 . . .	5·0
1896 . . .	3·3	1906 . . .	3·6
1897 . . .	3·3	1907 . . .	3·7
1898 . . .	2·8	1908 . . .	7·8
1899 . . .	2·0	1909 . . .	7·7
1900 . . .	2·5	1910 . . .	4·7
1901 . . .	3·3	1911 . . .	3·0
1902 . . .	4·0	1912 . . .	3·2
1903 . . .	4·7	1913 . . .	2·1

A computation of unemployment made in 1912 by Professor Bowley, based on the returns made to the Board of Trade of numbers employed in a large number of undertakings, provided an index number with a close correlation to the trade-union index.¹

Germany. German trade-union figures, obtained in the same way as the British returns and subject to similar qualifications, show that unemployment among trade unionists in the years immediately before the War was generally between 2 and 3 per cent. It must be remem-

percentage directly to the whole industrial population are out of court. When 5 per cent. of the 650,000 trade unionists are out of work it does not in the least follow that there are 5 per cent. of the 11,000,000 manual workers, say 550,000, in the same case. The percentage totally unemployed is under such circumstances at least as likely to be one or five; the percentage losing some even, if not all, of their working time is equally likely to be ten or more.

¹ Royal Statistical Society: *Journal*, July 1912 (London), vol. lxxv, p. 291.

bered that in these years conscription took a large number of workers off the market in each year. The annual contingent was about 800,000 men.

TABLE V

Unemployment in Germany in December of each year¹

<i>Year</i>	<i>Per cent.</i>	<i>Year</i>	<i>Per cent.</i>
1903 . . .	2.7	1909 . . .	2.8
1904 . . .	2.1	1910 . . .	1.9
1905 . . .	1.6	1911 . . .	1.9
1906 . . .	1.2	1912 . . .	2.0
1907 . . .	1.6	1913 . . .	2.9
1908 . . .	2.9		

2. Post-war Figures

Degree of significance. Little permanent significance can be attached to the immediate post-war figures of unemployment. There were first the colossal difficulties of demobilization and then the boom of 1919, followed by the painful adjustment to the new conditions during the crisis of 1920-2. (By 1924 the disturbances directly attributable to the War appeared to be settling down, and between 1925 and 1929 there was revival in production, industry, and trade in the world as a whole.) According to League of Nations figures the output of primary products rose by 11 per cent. (crude foodstuffs by 5 and industrial raw materials by some 20 per cent.), the quantum of trade, including both primary products and manufactured goods, by 19 per cent.; and industrial production made great strides in the principal industrial countries. Wholesale prices remained relatively stable.²

Thus, if total world figures are any guide, the years 1924 to 1929 might be taken as a normal post-war period. In fact total figures are necessarily not a very good guide, since, however important and close international economic relations may be, prosperity or adversity depend on a complex of conditions in individual countries, and are by no means evenly spread. Nevertheless, these figures are significant. And, since all human relations and activities are strongly influenced by the psychology of confidence and fear, perhaps a more important indica-

¹ Germany: *Statistisches Jahrbuch für das Deutsche Reich*, 1918. The figure for 1903 is an average for June, September, and December; for 1904-6 of four months; for the remaining years average of the twelve months. For some possible explanations of the reasons why the German percentage was lower than the English one see the Balfour Committee on Industry and Trade, *Survey of Industrial Relations*, 1926, p. 246. For additional evidence on German unemployment before the War see pp. 248-9 of the same report.

² League of Nations: *Memorandum on Production and Trade* (1931, Geneva), p. 8.

tion than the statistical expression of material improvement was that the world appeared to be gradually recovering some of that sense of security which had been destroyed by the upheaval of 1914-18.

Now, if in that period there was still mass unemployment, it would seem that the question of surplus labour beyond the ordinary reserve requirements of our present social system is a problem going to the root of social organization. Unemployment figures for these years are thus of more permanent importance than the crisis figures of recent years.

United States. The United States Government, providing a wealth of statistical information on almost every subject, has until now had no comprehensive official figures for unemployment. The available estimates, however, do not indicate stability in employment. Even in prosperous years, 1923-6, the estimated annual rate of unemployment in the manufacturing, transportation, building, and mining industries exceeded 9 per cent. The American Federation of Labour estimated that of about 700,000 members of trade unions making returns, 13 per cent. were unemployed even in 1928, when the United States still appeared to be in the full tide of prosperity. The following figures for the years 1922-7 are derived from the best available estimates:

TABLE VI

Estimated average minimum volume of Unemployment in the United States, 1922-7¹

(In thousands)

	1922	1923	1924	1925	1926	1927
Total employees attached to non-agricultural pursuits .	28,505	29,293	30,234	30,941	31,808	32,695
Minimum unemployment	3,441	1,532	2,315	1,775	1,669	2,055

Thus even in prosperous years unemployment in America was a serious problem. The greatly increased production of these years appears to have been due to more economical methods of production and was not accompanied by a corresponding increase in the industrial army. The increased employment was mainly in 'services', likely to be curtailed in a period of acute depression.

The total increase in non-agricultural employment shown in Table VI is 4 million, but wage-earners and salaried persons in em-

¹ 'President's Conference on Unemployment', *Recent Economic Changes in the United States*, New York, vol. ii, p. 478.

ployment in manufacturing industry account for only about a million of this increase.

Germany. In Germany between 1925 and 1929 the number of persons employed increased, but not so rapidly as production. Unemployment continued at a heavy rate. The position in Germany in these years was discussed at some length in the *Survey of International Affairs* for 1930. The conclusion reached by the writer was that even before the crisis the level of basic unemployment was steadily rising.¹ The figures generally ranged between 1 and 2 millions, though at one point in 1925 they fell to about 300,000.

United Kingdom. The British figures are given in some detail in Appendix VII. For the United Kingdom as a whole the average total unemployment percentage (including those temporarily stopped) year by year is shown on p. 58, and gives, for the years 1924 to 1929, a mean of about 11 per cent.

The year of the general strike in 1926, originating with the stoppage in the coal-mining industry, may be left out of account, though its effects were serious. But throughout the whole of this comparatively prosperous period the unemployment percentage was not less than 8·8 (in May 1927) in any single month. That minimum represented over a million persons. In 1927, 1928, and the first half of 1929, in a period when the various indices of economic activity in the United Kingdom were rising, and when trade in the world as a whole was good, unemployment was still high even if measured by the numbers of those wholly unemployed. There were obstinate factors in the unemployment position which did not respond to increasing prosperity. 'It is now clear that the greater part of the unemployment of the period 1923-1929 was not due to trade depression, but was of a more persistent character due to causes that were not transient.'²

Other countries. In Poland there was heavy unemployment after the stabilization of the currency in 1924. During the years 1926-8 industrial conditions improved and prices rose. Nevertheless, unemployment was considerable and stood at 126,000 in December 1928.

France showed little unemployment during this period. In fact she continued to introduce foreign labour to meet her deficiency in heavy industry and in agriculture. There was a net outward move-

¹ Hodson (H. V.), in *Survey of International Affairs* (1930, London), pp. 543-5. See also Wiggs (K. I.): *Unemployment in Germany since the War* (1933, London).

² Royal Commission on Unemployment Insurance: *Final Report* (Cmd. 4185 of 1932, London, H.M.S.O.), p. 79. For a more detailed examination of the British figures see Appendix IV. The figures in the paragraph above are for the United Kingdom.

ment in 1927, but in 1928 and 1929 the recorded net inward movement was 44,000 and 144,000.¹

In Italy there was substantial unemployment in 1927 and 1928, but it must be remembered that agricultural workers accounted for a large proportion of the total. In the last quarter of 1927 and the first quarter of 1928, the lowest figure of total unemployment was 306,000 (in September 1927) and the highest 439,000 (January 1928). A year later (February 1929) it reached 489,000.

In countries with smaller labour forces the percentage of persons unemployed was in many cases high. In Australia it ranged from 8.1 in December 1925 to 13.1 in December 1929, for Austria no percentage is available but there were over 200,000 unemployed in the winter months; in Canada the percentage, which was between $4\frac{1}{2}$ (August) and 10 (January) per cent. in 1925, fell to 3 or 4 per cent. in summer each year, but the average in 1921-31 is put by the Dominions Bureau of Statistics at 7.9 per cent.; Denmark had high figures even in 1929, the best year, when the percentage was 10 per cent. in June and 22.4 per cent. in December; in Sweden the minimum summer figure (during the years 1925-9) was 6.1 per cent. in August 1929, and the maximum 9.6 per cent. in June 1926; winter figures twice as heavy.² Belgium, Czechoslovakia, and Switzerland showed low average annual rates, the figures for 1928 being 0.9, 1.42, and 0.6 per cent. for the three countries respectively.

Substantial 'normal' figures. Thus the difficulty under the relatively normal conditions of 1926-9 was not universal; but in the greatest industrial countries there does seem to be a large figure of unemployment even in normal times. A million in Great Britain, a million and a quarter in Germany, say three million in the United States—this in a period of rising wealth. In some other countries the rates are comparable though the numbers are less.

The statistical material available, defective as it is, provides sufficient grounds for believing that unemployment was relatively high in many countries throughout the post-war 'normal' period in 1925-9. For Germany and Great Britain, the only two countries with substantial information about pre-war conditions, it appears to be established that unemployment was greater than before the War, after all possible allowances have been made for the limited character of pre-war information, and the reservations which may be made on the inclusion of doubtful cases in the present insurance legislation. The evidence suggests that the problem of unemployment will not

¹ France: *Journal Officiel*, July 27, 1934, p. 7729.

² Sweden: *Sociala Meddelanden*, Aug. 1934 (Stockholm).

be solved merely by 'escape from the slump', but that there will still be a problem to be tackled. We have seen that 'normal' unemployment includes displacements due to improved technical apparatus and to shifts in production; unemployment caused by seasonal slackness in certain industries; and unemployment arising from short-time variations in industrial activity. To classify these kinds of unemployment as 'normal' is not to say that they are irremediable, and that nothing can be done to reduce them. Even if a better organization of the labour market and an evening out of ordinary industrial fluctuations were achieved, unemployment under these heads might be reduced to manageable dimensions, but some unemployment would remain.

Persistent unemployment. The residual problem is what is known in England as the 'hard core of unemployment', persons whose re-employment on any permanent basis is improbable. The figures given in Appendix IV commenting in some detail on the British statistics suggest that there are some 400,000–500,000 in this category. The mass of unemployment is of the in-and-out character, but there is a considerable class in which there is relatively little change. It must not be assumed that these are unemployable, but for one reason or another their labour has become marginal though it may be absorbed under high pressure. The number of 'uninsurable' persons ('in the sense that their unemployment is likely to be permanent') on the British register was put by the Royal Commission on Unemployment Insurance at 100,000.¹ The investigation made in February 1931 pointed to 467,000 men and 120,000 women as unsuitable for 'submission to an employee for a local vacancy without exceptional features'. Of these about 311,000 men and 80,000 women were handicapped by age or other physical causes; 93,000 men and 23,000 women were without adequate industrial training; about 63,000 men and 17,000 women were unsuitable on both grounds. Age was the main disqualification.

In the United States in January 1934, when the Federal Government contemplated handing back to State and local authorities the care of those who could not be provided with work under the Public Works programme, the number of these 'unemployables' was put at 1,500,000. The criterion of employability may in these cases be rather liberal (it may mean that the labour in question cannot be absorbed in the kind of occupation provided as relief work), but that there is a problem of considerable magnitude is evident.

In Germany the nearest approximation to what may be called the

¹ *Final Report*, pp. 74–81.

'hard core of unemployment' is the number of persons who, by reason of long-continued unemployment, have fallen successively out of benefit and of relief, 676,000 in 1931 and 1,182,000 in 1933.¹ 'Minimum unemployment' is put by the Institut für Konjunkturforschung at from 500,000 to a million.²

3. *Age Constitution of the Unemployed Force*

Great Britain. Age is evidently an important factor in the whole question, but the information available for most countries is rather meagre. For Great Britain estimates are available on the basis of the analysis by sample taken in 1932.³ On November 28, 1932, the percentage unemployed in the various age-groups among men and women were:

TABLE VII

Percentage of Persons Unemployed of Insured Persons by Age-groups

Age-group	Percentage unemployed		Age-group	Percentage unemployed	
	men	women		men	women
16-17	4.6	3.1	40-4	22.4	9.4
18-20	16.3	7.9	45-9	23.1	17.3
21-4	23.5	9.1	50-4	26.5	18.3
25-9	22.7	9.3	55-9	26.9	20.6
30-4	21.9	11.8	60-4	32.0	16.4
35-9	21.4	10.9			
General rate				21.8	9.5

The rates vary for different industries. On the basis of this calculation men over the age of 55 unemployed would number 291,900. But there is also a very serious problem among young men between the ages of 21 and 24, which is probably of even greater importance. This is the age when a man should have learnt his trade, when he is capable of good work and should not be suffering from any of the ordinary disqualifications.

Unemployment among young persons. Something has already been said of the social and economic damage resulting from unemployment among young persons. The magnitude of the problem has been shown in the report, prepared by the International Labour Office for the 1935 Conference, on *Unemployment among Young Persons*. 'Young

¹ See Appendix V.

² Institut für Konjunkturforschung: *Weekly Report*, Berlin, Sept. 12, 1934.

³ See *Ministry of Labour Gazette*, Sept. 1933 (London, H.M.S.O.). The existence of widows' pensions relieves the labour market of a number of women at the older ages.

persons' is here taken in its wider sense, including age-groups up to 24. Figures of unemployment in all countries are not available, though special inquiries have been made in some cases. The statistics available (see Appendix VI) show a very serious state of affairs, which explains the preoccupation of governments with the question of supplying educational and training facilities provided with a view to preventing a permanent deterioration of the labour force due to idleness in the critical years.¹ A report on Juvenile unemployment by the United States Department of Labour issued in 1935 estimates that the average number of persons between the ages of 18 and 25 totally unemployed in the second half of 1934 was about 2 million.

The question is likely to be of especial importance during the years 1935-40, because of the increase in the number of young persons of ages 14-17 due to the recovery of the birth-rate in 1919-20 after the fall during the War years. The total number of juveniles between those ages due to be available for employment in Great Britain at the end of 1937 is expected to be 2,357,000, as against 1,872,000 in the year 1933. After 1937 the numbers are expected to fall.² The rise in Germany is expected to begin in the year 1936. Consequently present unemployment among young people may assume larger dimensions unless measures are taken to deal with it.

If by young persons we understand all under the age of 25 the situation is a very serious one. Heavy unemployment in this section of the labour force, or even employment under unsuitable conditions, is, as has already been pointed out, a menace to the future efficiency of the labour force as a whole. Now the statistics assembled by the International Labour Office show that young people under 25 generally account for about one-quarter of the whole body of unemployed. On the basis of a total world unemployment estimated at about 25 millions in the winter of 1934-5 this means from 6 to 7 million unemployed young men and women. The problem is different according to sex. A working man is, or desires to be, an employed man all his life; for women, employment in the labour market often ceases on marriage, though it may be resumed later. Consequently young men under 25 form a smaller proportion of the whole male working force than young women of the whole female working force. And since the young man has presumably a long working life before him, the problem in its ultimate effects is most serious among young men.

¹ Some of these efforts are described in Part III of this book, where the general question is discussed.

² For the British figures see *Ministry of Labour Gazette*, Oct. 1934. On the general question see M. Henri Fuss, 'Unemployment among Young People', in *International Labour Review*, May 1935.

The employment situation in certain important countries is explained in detail in Chapter V, in respect of changes in employment, shifts in industry, and unemployment. The general world situation cannot be fully understood without some detailed study of the circumstances in the countries examined, but the general reader may be content to neglect this relatively detailed analysis.

CHAPTER V

EMPLOYMENT IN CERTAIN COUNTRIES: GREAT BRITAIN, GERMANY, FRANCE, UNITED STATES, U.S.S R.

1. *Differing Character of the Problem*

THE account in the following pages of the employment and unemployment situation in Great Britain, the United States, Germany, France, and Russia shows how different the problems are for each country. The examination, if extended to other countries, would show further divergencies, and would provide further proof, if any were needed, of the difficulty of generalizing on the actual situation or on the remedies to be applied.

Great Britain. Unemployment in Great Britain is concentrated mainly in certain industries and in certain areas, especially in export trades threatened by foreign competition, not only from western Europe but from the Far East. Apart from the temporary dislocation due to the depression, there are important permanent difficulties for which a solution will have to be found, and no complete solution seems possible without international co-operation. Certain staple industries—coal, cotton, ship-building, and ship-repairing—appear to be unlikely to support the labour at present recorded as attached¹ to them even when the present depression is over.² Even in the last quarter of 1934, when general recovery was well marked, the percentages of unemployment were coal-mining, 25·8; iron and steel, 23·5; shipbuilding, &c., 42·9; cotton, 21·9; public works contracting, 47·2.

The newer industries tend to be started in the country south-east of the Severn-Trent line, and not in the older industrial areas. They therefore attract new industrial labour within these areas, and do not, to any large extent, draw from the experienced industrial population north-west of that line. This change-over in the distribution of employment has very important social repercussions. It means that much accommodation of all sorts for the working classes is wasted in the north and that south-eastern England has had to develop new facilities, of which the spread of urban development all round London

¹ This may mean no more than that their last employment was in this industry.

² Some reasons for this are given in the statement on world conditions in individual industries in Part II.

is the most striking feature. Since London is the centre of government and of society one result has been a tendency to underrate some of the serious problems arising from unemployment, because what is out of sight and earshot is apt to be out of mind. Meanwhile local authorities in the 'special' areas are confronted with heavy charges even when the transfer of unemployment assistance to the Public Assistance Board is taken into account. High rates fall on a decreasing and impoverished population, and, in spite of the 'Derating' Act and special grants to the distressed areas, they constitute in themselves a definite hindrance to recovery from the present inactivity in towns and villages serving declining industries.

The changes in the balance of industry itself and in its location are very remarkable. The industrial map has undergone radical change. Capital has proved to be more mobile than labour; new capital has gone to the newer industries in other areas. The old industrial areas expanded their capacity and surplus labour during the war, and are now faced with unexpected competition from new coal-fields, new iron-fields, and new light industries in the south and east. Their working capital has been dissipated, and their unused plant is rapidly deteriorating. They no longer occupy the privileged position they once had as being close to the sources of power, since electricity is not restricted to one area. Migration is slow and it is impeded by the difference in environment. Nor is it certain that the newly industrialized areas could absorb large numbers of the unemployed from the depressed areas even if transfer were less difficult than it is in fact.

It is perhaps necessary to enter a caveat against the too easy assumption that the expansion of luxury industries and of services (e.g. distribution) will make up for decline in staple industries indefinitely. The extension of these services is a sign of the wealth of the community, which is based on production for the home market and the export trade. But these industries do not appear to recruit their workers to any great extent from the depressed areas. Moreover, increase in employment in the distributive trades, in which there is already heavy unemployment, may not continue; the process may indeed be reversed with the rationalization of the distributive services, signs of which are already apparent in the increasing share of retail trade done by multiple shops and large stores. On the other hand its luxuries of to-day may become the necessities of to-morrow.

Two important aspects of the British problem are therefore the loss of export markets, and the change in industrial location. Industry is changing its location mainly as a result of the effect of depression in highly specialized areas. The new branches which are expanding

are industries supplying consumption goods and services, and therefore choose sites adjacent to prosperous consuming centres, London, Oxford, Coventry. This is natural enough in the distribution, catering, and building trades; for the electrical and motor car industries proximity to a good market might not be expected to influence the choice of site so much as the availability of skilled labour. But the reserves of trained men in the north are not an advantage if an entirely different type of skill is required, and many of the new industries appear to find in the south the type of labour which they need. Depression in depressed areas must have a cumulative effect. So long as it continues new industries will avoid the north and go to the increasingly attractive south, thereby intensifying the severity of local unemployment. This is not to say that there are not other aspects of the British problem which require attention. Some of these aspects—the organization of industry and of the labour market and the education of the working community—are discussed in Parts II and III of this book.

Germany. In Germany the distribution of unemployment in industry did not show in the years before the crisis the same variety of incidence on the different industries as in Great Britain. It was more evenly distributed over the whole of industry. The reason is, no doubt, that the factors affecting employment in Germany have been of a more general character, the necessity of heavy export to meet reparations payments, the dependence on the influx of foreign capital, and the poverty of large classes of the consuming population arising out of the historical circumstances of the country since the War. Reasons are given elsewhere¹ in more detail for the excessive force with which the depression fell on Germany. Her most serious problem seems to be the impossibility of making full use of a highly organized industrial system without more easy access to the world market for which that system is devised. The position is complicated by the necessity felt by German Governments to maintain agricultural production at a level sufficient to provide essential food requirements in time of war, a policy reinforced by strong pressure from powerful agrarian interests. The reaction on the balance of trade need not be stressed here. The German problem also requires international co-operation for its solution, and Germany cannot obtain the partial mitigation available for France and Great Britain in the development of colonial markets. Moreover, Great Britain and France are still creditor countries; the War left Germany a debtor on a gigantic scale.

¹ Part II, Chapter II.

France. Both Great Britain and Germany, with their highly specialized labour forces, had a solid unemployment problem before the depression. France had none; on the contrary she imported foreign labour. Her troubles began later, and, though her unemployment problem is of smaller dimensions, for reasons set out below, it does not show (in 1935) the signs of improvement visible in Great Britain and Germany. The social side of her situation is easier because of the large proportion of small independent workers in agriculture, industry, and trade; it is difficult because of the high cost of living. Her permanent problem is the great accession of industrial capacity following on the peace without a corresponding permanent expansion in markets or any likelihood of a great extension of a home market with a declining rate of increase of population.

United States. The United States has difficulties on a more gigantic scale. The problem of the United States is the failure of the home market to respond to the huge increases in capacity and production which took place during and after the World War. At first sight there appears to be no fundamental reason why the United States with her wealth of natural resources and her great population with a high standard of individual demand should have a volume of unemployment which at one time was put by some authorities at 13 millions. The break-down of the system is being met by the efforts described in Part III of this book. It is largely a break-down of confidence, the restoration of which is still in the balance.

U.S.S.R. The only other country with resources and population on anything like the same scale is the U.S.S.R. There, it is asserted, there is no unemployment problem. The difference, apart from the political circumstances, is that the United States has a varied and extensive industry and a system of communications and of public utilities of all kinds fully developed, while Russia is in process of creating them. She starts from where the United States stood eighty years ago, but handicapped by shortage of the credits which poured into the United States during her period of development. The problem in the U.S.S.R. is the lack of a trained, skilled labour force, and the shortage of credit. There is poverty, even desperate poverty, and under-nourishment, but no unemployment on a large scale.

The restoration of these five great countries to prosperity would certainly bring about a great improvement everywhere. It is therefore worth while to study at some length the conditions which exist in all of them in respect of employment and unemployment.

2. Great Britain

Employed Persons. The population of ages between 14 and 65 in Great Britain at the time of the 1931 Census numbered approximately 31·3 millions. Of these about 21 millions were classified as 'gainfully occupied'. The occupied population includes persons working on their own account, managerial and salaried persons earning over £250 a year, persons insured against unemployment, and certain groups of workers and salaried persons who are accounted for outside the unemployment insurance scheme. The Royal Commission on Unemployment Insurance shows that at the time of the 1931 Census (the results of which were then not fully available) there were about 12½ million workers between the ages of 16 and 65 employed under a contract of service in Great Britain who were covered by the Unemployment Insurance scheme—salaried persons earning not more than £250 a year and manual workers. The groups of workers accounted for outside the Unemployment Insurance scheme were mainly (a) persons employed in the public service, railway employees of conciliation grades, banking and insurance clerks under their special schemes (in all these groups employment is reasonably assured); (b) workers not under a contract of service; (c) certain classes at that time excluded—juveniles, agricultural labourers, domestic servants and some other smaller groups.¹ Taken together these groups covered in 1931 about 6½ million workers; the total, therefore, of manual workers and of salaried workers on the £250 or less basis of all ages is nearly 19 millions.

In studying the British statistics it is important to bear in mind that employment exchange figures include some applicants for work who are not entitled to benefit and are not included in the base figure of insured persons; nor are the increases in employment in the groups excluded from unemployment insurance shown in the statistics of increased employment.

Course of Unemployment. We have seen that unemployment in Great Britain before the War, as measured by the percentage of unemployment among the members of trade unions reporting to the Board of Trade, ranged in the period 1900–14 from an average of 2·1 in the best year recorded (1913) to 7·8 in a bad year (1908). The curve shown below indicates four considerable alternations between prosperity and depression, the pre-war crises being in the winter of 1904–5 and in the autumn of 1908. After the War there was the severe depression of 1921–2, and though employment improved, unemployment at no point sank to the level indicated by trade-union figures before the War, and it rose to unprecedented heights at the worst point of the crisis which began in 1929.

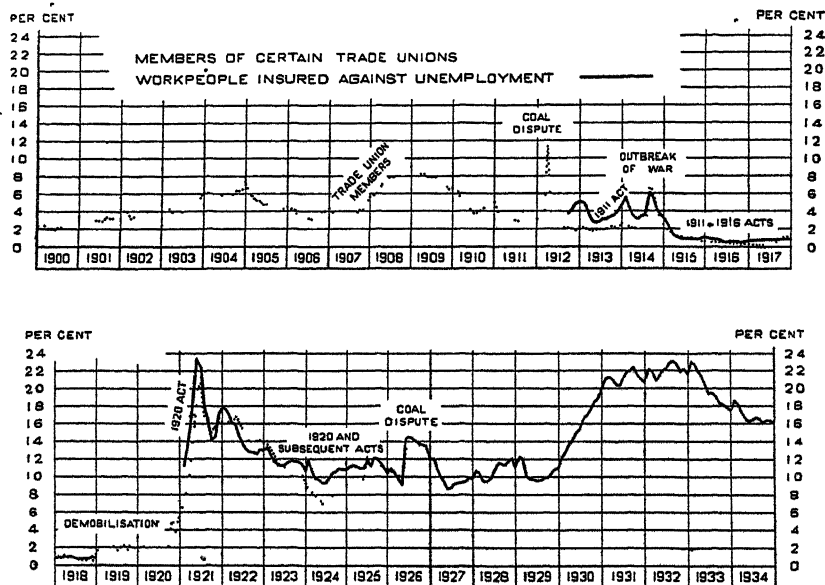
Total figures of the numbers insured against unemployment, of unemployment, and of employment since 1925 in Great Britain are shown in Appendix VII.

¹ For the details see the *Final Report* of the Commission (Cmd. 4185 of 1932), pp. 56–7.

Persons Insured. Insured Persons in Employment. The first figure in the table in Appendix VII, the numbers insured against unemployment, shows that the body of wage-earners in the industries covered by unemployment insurance steadily increased from 1925 to the end of 1931 quarter by quarter from 11,200,000 at the beginning of 1925 to 12,620,000 at the end

DIAGRAM I

Curve showing Percentages Unemployed in Great Britain and Northern Ireland



Source: Supplement to the *Ministry of Labour Gazette*, March 1935.

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of 1931; in 1932 there was a halt (which may perhaps partly be explained by the effect of the anomalies regulations in reducing the number of insured women), but the leeway was made up in the second half of 1933, and increase continued in 1934. At the end of that year there were 1,500,000 more persons insured against unemployment than at the beginning of 1925. Taking the same two dates, 1925 and 1934, the number of persons in work rose from 9,574,000 to 10,222,000, an increase of 648,000. In 1934, when the gross unemployment figure was still over two millions, employment had, after a fall during the depression, risen higher than at any intervening quarter, except in 1929. That is to say, employment had increased, but not so fast as the candidates for employment.

TABLE VIII

Index numbers of Insured Persons actually in Employment in Great Britain in the last quarter of each year¹

(Average for 1924 = 100)

1924 . . .	100·4	1928 . . .	104·9	1932 . . .	98·6
1925 . . .	102·0	1929 . . .	107·5	1933 . . .	104·6
1926 . . .	95·2	1930 . . .	100 3	1934 . . .	107·3
1927 . . .	105·4	1931 . . .	100	1935 (1st quarter)	106·1

The gross figure of unemployment² was over a million throughout the period 1924–9. After the second quarter of 1930 it never fell below two millions, the peak figure being reached in the first quarter of 1933. Possibly about half the unemployment in the years 1931–4 may be described as ‘depression unemployment’.³

Persistent Unemployment. Further explanation of the British figures is given in Appendix IV. The substantial problem of unemployment consists in the number of persons who have been out of work for long periods. These figures, on given days, for men only (ages 16–64), are as follows:

TABLE IX

*Numbers of Men Unemployed for long periods**

Date	Periods of unemployment		Total 6 mths. or more
	6 mths. but less than 12 mths.	12 mths. or more	
19 Dec. 1932	305,800	435,800	741,600
22 May 1933	290,900	459,700	750,600
18 Dec. 1933	209,700	432,900	642,600
14 May 1934	202,100	398,700	600,800
26 Nov. 1934	170,000	368,000	538,000

* i.e. claimants for benefit continuously on the registers of employment exchanges; some will have had one or more spells of employment of three days or less.

The figures of long-period unemployment for men were still over half a million, though they had been heavily reduced since 1932. The reduction has been less in proportion among those who have been out of work for over a year; 84 per cent. of these are to be found in the north and in Wales.

Kinds of Unemployment. The diagram which follows shows the course of unemployment since 1921, distinguishing between the gross total and

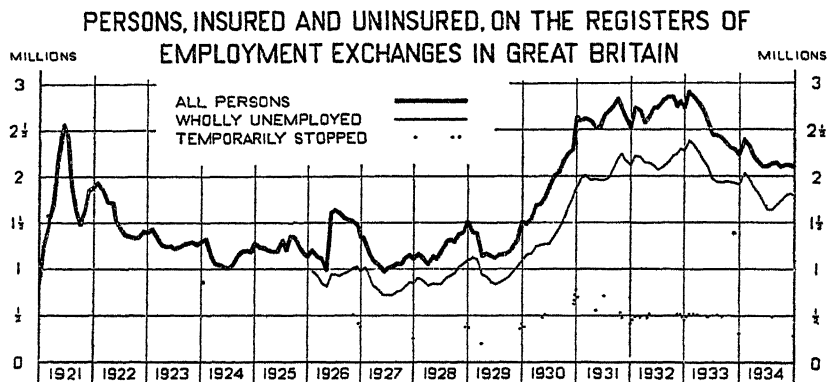
¹ See *Ministry of Labour Gazette*, April 1935, p. 130, and *21st Abstract of Labour Statistics*, pp. 39 et seq.

² The gross figures represent insured persons whose books are lodged at the employment exchanges whether they are eligible for benefit or other payments or not; they include persons who were not definitely without a job, but whose books were lodged because they were suspended, ‘stood off’, ‘furloughed’, or on short time on the day of the count.

³ For the influence of changes in Unemployment Insurance legislation on the figures, see p. 35 above.

its constituent parts, those 'wholly unemployed' and those 'temporarily stopped'.

DIAGRAM II



Source: Supplement to the *Ministry of Labour Gazette*, March 1935.

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Percentages of Unemployment. Average percentages of unemployment in each year for Great Britain and Northern Ireland from 1921 are shown in the following table.¹

TABLE X

*Average Percentage of Unemployment among Insured Workers for
Great Britain and Northern Ireland (United Kingdom)*

	Per cent.		Per cent.
1921 . . .	17.0	1928 . . .	10.8
1922 . . .	14.3	1929 . . .	10.4
1923 . . .	11.7	1930 . . .	16.1
1924 . . .	10.3	1931 . . .	21.3
1925 . . .	11.3	1932 . . .	22.1
1926 . . .	12.5	1933 . . .	19.9
1927 . . .	9.7	1934 . . .	16.8

Incidence of Unemployment by Industries. During the depression the fall in the production of producers' goods and the fall in world trade affected heavy industry and industries producing largely for export. There was heavy concentration of unemployment in certain industries and in the areas in which those industries were located. In spite of the general improvement in the employment situation in 1933 a great proportion of concentrated unemployment remained in certain industries and groups.

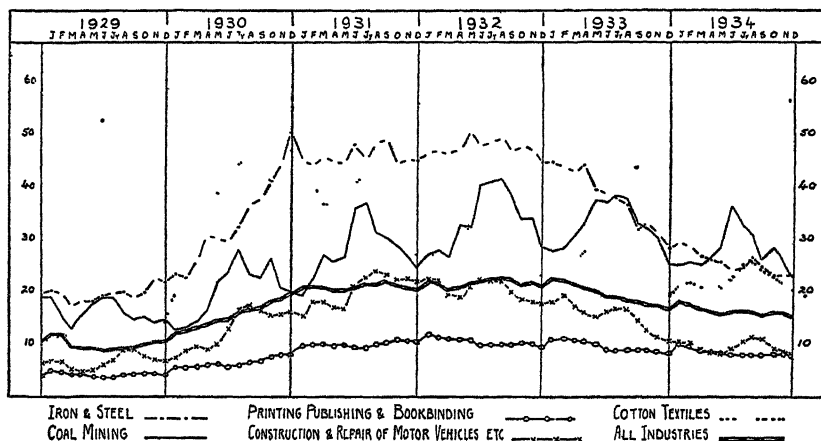
The following graphs, reproduced from the Ministry of Labour Report for 1934, show the course of unemployment in the most important groups of trades since 1929.

¹ *Ministry of Labour Gazette*, Jan. 1935, p. 2.

DIAGRAM III

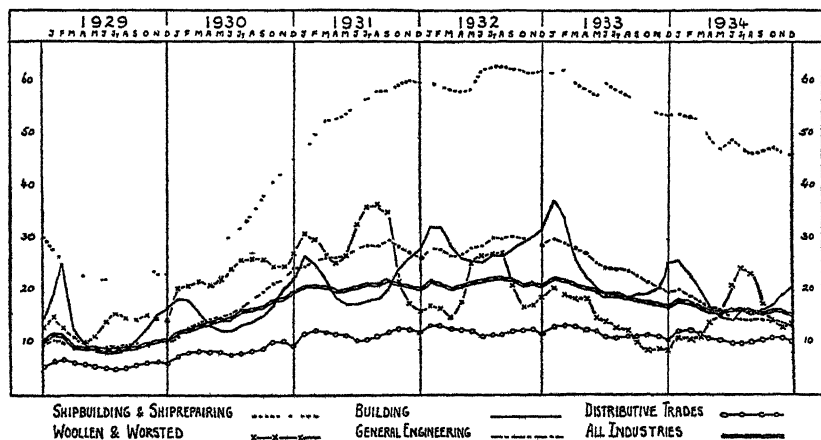
GREAT BRITAIN

Percentage of Unemployment among Insured Work-people in Iron and Steel (Steel Smelting and Iron Puddling, &c.), Coal Mining, Cotton Textiles, Construction and Repair of Motor Vehicles, &c., Printing, Publishing, and Bookbinding and all Industries.



GREAT BRITAIN

Percentage of Unemployment among Insured Work-people in Ship-building (including Ship repairing), Woollen and Worsted Textiles, Building, General Engineering, Distributive Trades and all Industries.



Source: Ministry of Labour Report for the year 1934 (Cmd. 4861 of 1935) pp. 139-40.

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Whereas unemployment in all industries ranged between 10 and 22 per cent., unemployment in shipbuilding and ship-repairing rose to over 60 per cent in the second half of 1932, in iron and steel to 50 per cent, in coal-mining to 40 per cent, and in cotton, at two points in 1931, to over 45 per cent. The woollen and worsted trade showed violent fluctuations. Unemployment in the building trade, if seasonal fluctuations are ruled out, advanced until the beginning of 1933, and thereafter declined rapidly. In engineering the rise in unemployment was less spectacular, because many workers were transferred to the motor industries and others, but it was much above the average for all industries. The motor-vehicle, printing and publishing, and the distributive trades showed relatively small percentages of unemployment, though in the last-named group the absolute numbers unemployed are large.

Location of Depression. The depression in heavy industry led to concentrated unemployment in the areas where these industries are specially located.

An analysis¹ of the figures for all the depressed² areas shows that the volume of surplus labour consists of some 350,000 persons, of whom 34,000 are women. Of course this does not mean an unchanging mass of unemployment. The personnel varies constantly. But, broadly speaking, there is likely to be a surplus approaching these dimensions. This excess capacity is ascribed partly to the influx of population into these areas in 1914-18 for purposes of war work. The actual figure for unemployment in these areas is much greater, or nearly *half of the total* in Great Britain. The gross figures are as follows:

TABLE XI

Distribution by 'Industrial Survey' areas of persons recorded as Unemployed under the Unemployment Insurance Acts of Great Britain, 1924-33

(Numbers to nearest thousand)

'Industrial Survey' area	1924	1929	1931	1932	1933
South-west Scotland .	101,000	89,000	233,000	230,000	216,000
North-east coast .	90,000	100,000	243,000	268,000	258,000
Lancashire ³ .	169,000	180,000	446,000	384,000	331,000
Merseyside .	61,000	60,000	110,000	108,000	107,000
South Wales .	76,000	103,000	164,000	198,000	182,000
Total for above areas	497,000	532,000	1,196,000	1,188,000	1,094,000
Total Great Britain .	1,045,000	1,128,000	2,633,000	2,770,000	2,429,000

So far the depressed areas, with the notable exception of certain undertakings established by Imperial Chemical Industries, Limited, have failed

¹ McCallum (E. D.), 'The Problem of the Depressed Areas in Great Britain', International Labour Office: *International Labour Review* (Geneva, Aug. 1934).

² Objection was taken to the description of 'depressed areas', and in 1934 the official designation was altered to 'special areas'.

³ Lancashire is not scheduled as a 'special area'.

to attract on any large scale the new industries which have brought prosperity to other districts. But there are definite signs of improvement, especially in Lancashire. From all these districts there has been considerable outward movement of population, especially from the Clyde area; migration from Lancashire has been relatively small. The proportion of the population of the 'industrial survey' areas to the total population fell from 28.1 per cent. in 1921 to 26.7 in 1931. This rate of fall is inadequate to meet the situation.

The collective figures of employment do not show the full difficulty. The investigation of 1934¹ reported some excessively high local percentages of unemployment. In the Durham and Tyneside area (smaller than the survey area of the table above) excessively high figures are quoted for Bishop Auckland and Jarrow²

Taking the area as a whole there were 147,940 unemployed (a large preponderance, 137,441, being men), of whom 59 per cent had been unemployed for more than a year, made up as follows:

TABLE XII

Unemployed over 1 year	and less than 2	.	.	24,534
"	" 2 years	"	" 3	22,317
"	" 3	"	" 4	22,189
"	" 4	"	" 5	9,294
"	" 5	"	.	9,246

These figures seem to indicate a substantial permanent surplus of labour.³

The percentages of unemployment in certain South Wales and Monmouthshire towns are over 70 per cent. At Blana, Brynmawr, and Merthyr Tydfil the over-all percentage of unemployment was 71.7, 74.1, and 69.1 per cent. in May 1934.⁴ For the area of the eastern section of the area the insured population is 225,560, of whom 81,497 in April 1934 were wholly unemployed and 22,538 temporarily stopped, a total of 46.1 per cent. On the most optimistic estimate, a large amount of labour appears to be surplus to the present industries of the district.⁵

¹ United Kingdom: *Reports of Investigations into the Industrial Conditions in Certain Depressed Areas* (Cmd. 4728 of 1934, London, H.M.S.O.), pp. 116-18.

TABLE XIII

	<i>Insured population July 1, 1933</i>	<i>Live Register June 4, 1933</i>	<i>Percentage unemployed</i>
Bishop Auckland	10,697	5,772	50.4
Jarrow	9,191	6,385	56.8

In Bishop Auckland 80 per cent. of those unemployed had had no work for over a year; for Jarrow the corresponding figure was 58.5 per cent.

² Op. cit., p. 118.

⁴ Op. cit., p. 145.

⁵ Op. cit., pp. 131-3.

The Clyde area shows a probably permanent surplus of 60,000 men and boys, of whom 40 per cent. may be regarded as a 'potential labour force for industry after training',¹ about 40 per cent. older and less adaptable for transfer or for other occupations than their own, and about 20 per cent. of older persons 'verging on the unemployable'.

The Cumberland area presents a smaller but very difficult problem because of the restricted prospects of the area and its high degree of isolation. The problem of the Clyde area is one of general depression in heavy industry, rather than of isolated 'derelict' areas.

The totals of unemployment here, as elsewhere, contain many cases of men and women capable only of light work which would not be easily obtainable even under more favourable circumstances. There is necessarily great difficulty in estimating surpluses involving, as they do, forecasts of industrial activity, and estimates of employability, but the evidence suggests a substantial congestion of labour likely to persist for some time.

Juvenile Unemployment. Taking Great Britain as a whole there is little juvenile unemployment outside the depressed areas, but in these areas the problem is acute. The National Advisory Council for Juvenile Employment (Scotland) estimates the surplus of juveniles leaving school in Lanarkshire as 13,000 by 1937 and 10,000 in 1940.² For the north-eastern area the Divisional Office of the Ministry of Labour estimates the surplus of juvenile boy labour (14 to 17 years) in the area at 16,600 in 1934, rising to 31,500 in 1937,³ declining thereafter to 20,000 in 1944. A fair amount of transference is being accomplished for juveniles. The total number of boys and girls (14 to 18 years) on the registers of employment exchanges and juvenile employment bureaux in Great Britain on March 25, 1935, was over 56,000, of whom over 26,000 were attending centres or classes. This total denotes availability for employment and includes numbers of young people who will soon find employment. More than half of the unemployed boys and girls were in the N.E., N.W., and Scottish areas. Unemployment is much more serious between the ages of 18 and 21. The difficulty in retaining or securing employment appears to arise at the point when the change-over takes place from the juvenile to the adult wage, between which there is a considerable gap.

Changes in Employment by Industry. An examination of the changes in the numbers of persons employed in the various industries shows the extent to which diminution in the employment provided by certain staple industries is counteracted by the increased employment in the new industries and in the provision of services of various kinds, distribution, entertainment, &c.

Although there have been increases in employment in building and contracting and in some manufacturing industries, employment in manufactures as a whole was less in 1933 than in 1923 absolutely and relatively to the total of the employment. The principal increases in the years in question are in transport and distribution and in miscellaneous services.

¹ Op. cit., p. 218.

² Op. cit., p. 217.

³ Op. cit., p. 113.

TABLE XIV

*Great Britain and Northern Ireland¹**(Number and percentage of insured persons in employment in certain large groups of industries and services)*

<i>Industrial group</i>	<i>1923</i>		<i>1933</i>	
	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
Fishing	21,670	0·2	25,590	0·2
Mining and quarrying	1,267,150	12·8	715,120	6·9
Manufacturing	4,885,170	49·4	4,841,950	46·6
Building and contracting	695,680	7·0	866,330	8·3
Transport and distribution	1,812,930	18·3	2,442,640	23·5
Gas, water, and electricity supply	152,580	1·5	164,130	1·6
Miscellaneous services	481,430	4·9	704,710	6·8
Commerce, banking, insurance, and finance	215,500	2·2	234,000	2·3
National and local government	364,570	3·7	390,480	3·8
Total	9,896,680	100·0	10,384,950	100·0

The third of these headings covers a great variety of trades. The largest individual increase is in electrical wiring and contracting, in which the number of persons employed nearly trebled in the eleven years between 1923 and 1934. Taking the three main groups of electrical trades, the increase in actual numbers was very large:

TABLE XV

Employment in the Electrical Trades

<i>Industry</i>	<i>Insured persons employed</i>	
	<i>June 1923</i>	<i>June 1934</i>
Electrical wiring and contracting	9,924	28,567
Electric cable, apparatus, lamps, &c.	64,989	121,805
Electrical engineering	56,965	83,971
Total	131,878	234,343

Other expanding trades in which there have been large increases are various supply industries for housing; building and public works contracting; motor vehicles and aircraft; tailoring; and the various service industries, the distributive trades alone showing an increased personnel of about 620,000, and the hotel and catering industry 125,000. On the other hand, the number of coal-miners in employment fell from 1,211,559 to 623,383. There are certain other industries showing heavy percentage reductions, but none in which the decrease affects so many workers. Other important

¹ *Ministry of Labour Report for 1933 (1934)*, p. 15.

decreases (in round numbers) are in general engineering, 82,000, textile finishing trades, 16,800; cotton, 85,900; steel melting, iron puddling, iron and steel rolling and forging, 39,300; woollen and worsted, 70,000; ship-building etc., 70,200; non-permanent railway workers 57,500¹

Changes in Location. The change-over in the location of industry is shown by the trend of employment in the different administrative divisions of the Ministry of Labour. The number of insured persons in employment in the southern half of England rose between the summer of 1927 and the summer of 1929 by 227,000, while in the north and in Wales it fell by 53,000. Both numbers fell during the years 1929-31, but the fall was nearly five times as great in the north as in the south. Between the summers of 1931 and 1932, when the intensity of the depression spread to the southern areas and employment in the north was assisted by some improvement in the textile industries, employment fell about equally in each area. In the next twelve months there was improvement in both areas, 224,000 in the south and 191,000 in the north, as there was some revival in heavy industry. In 1933-34 there was a further increase of 281,000 in the South and 165,000 in the North.²

TABLE XVI

Changes in the Geographical Distribution of Insured Persons in Employment in Great Britain, 1923-33³

	<i>Estimated nos. of insured persons in employment (16 and over thousands)*</i>		<i>Index nos. of insured persons in employment (June 1923 = 100)</i>
	<i>End of June 1923</i>	<i>End of June 1933</i>	<i>End of June 1933</i>
London . . .	1,810	2,129	121.0
South-eastern . .	693	916	136.3
South-western . .	691	783	117.0
Midlands . . .	1,510	1,573	107.2
North-eastern . .	1,741	1,543	91.5
North-western . .	1,759	1,681	98.2
Scotland . . .	1,110	1,013	94.0
Wales . . .	583	409	72.5
Total . . .	9,897	10,047	104.5

* After 1927 persons aged 16-64.

Even in some of the older industries, hitherto mainly centred in the north, the south has started new factory development; it has even

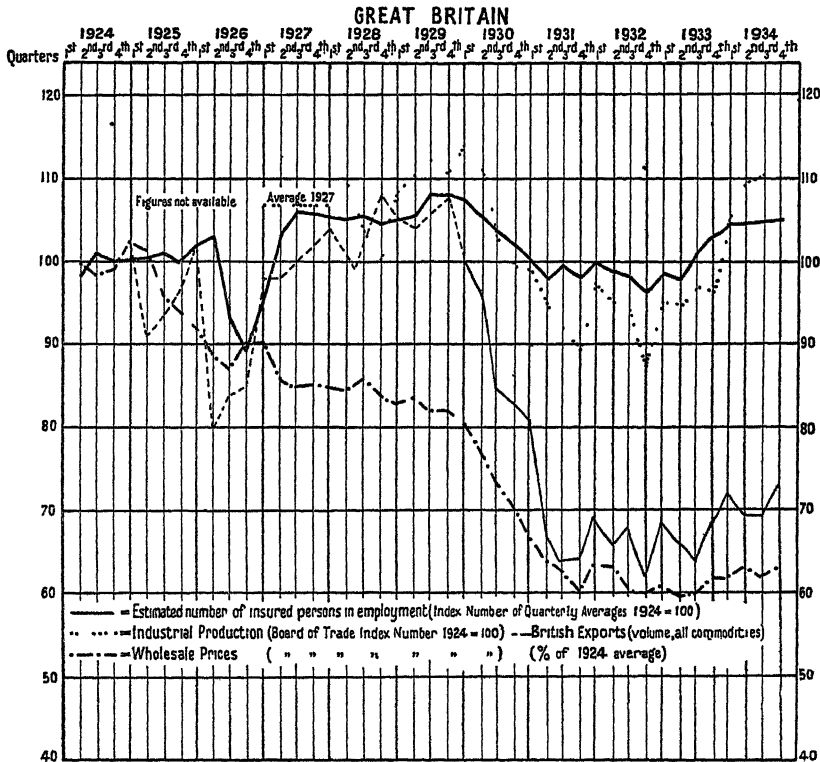
¹ For full details of expanding and contracting industries over this period see *Ministry of Labour Gazette*, Dec. 1934, pp. 432-5 and 458-9.

² *Ministry of Labour Gazette*, Nov. 1934, p. 392.

³ United Kingdom: Ministry of Labour: *21st Abstract of Labour Statistics, 1919-33* (Cmd. 4625 of 1934, London, H.M.S.O.), p. 42. For more recent details see *Ministry of Labour Gazette*, Dec. 1934, pp. 435-6. Cf. also *A Survey of Industrial Development* (1934, London, H.M.S.O.).

made small inroads on the textile finishing trades and on cotton. The most striking instances are, however, in the glass and pottery trades. In industries showing increased development in both sections of the country progress in the south has been more rapid than in the north. This is natural

DIAGRAM IV



The curve representing the volume of exports up to 1930 is calculated from the Trade Returns. The Board of Trade percentages (1924 = 100) are only available from 1930 onwards. The course of export trade in the earlier period is indicated by the dotted line in the diagram.

enough in the distributive, catering, and building trades; it is less easily explicable in the electrical, motor-car, and aircraft industries, and in iron manufactures, in which the north with its reserves of trained men might have been expected to have an advantage.

Economic Indices. The above diagram shows the course of employment, of wholesale prices, of industrial production, and of export trade in Great Britain.

3 Germany¹

It has already been shown that normal unemployment in Germany before the War, in so far as the trade-union returns can be taken as a guide, was not high.

Post-war Figures. Since the War there has been a steady mass of unemployment even in good years, which has presented a problem perhaps as serious as in England, though of a different character. Considerable fluctuations occurred after the post-war crisis and the inflation, both excessively severe in Germany.

TABLE XVII
Employment and Unemployment in Germany, 1925-9

Date	1. Trade unionists % unemployed		2. Total unemployed	3. Employed persons
	Wholly	Partially		
1925 June .	3.5	5.2	401,000	19,780,000
Dec. .	19.4	19.8	1,712,000	17,370,000
1926 June .	18.1	17.2	2,081,000	17,840,000
Dec. .	16.7	7.3	2,127,000	17,380,000
1927 June .	6.3	2.7	1,061,000	19,910,000
Dec. .	12.9	3.1	1,714,000	18,830,000
1928 June .	6.2	5.9	1,075,000	20,570,000
Dec. .	16.7	7.5	2,265,000	18,780,000
1929 June .	8.5	6.7	1,260,000	20,750,000
Dec. .	20.1	8.5	2,851,000	18,750,000

Source: I.L.O. *Year Book* 1930 and 1933. The figures in cols. 2 and 3 are estimates by the Institut für Konjunkturforschung (*Wirtschaftszahlen* 1925-31, Berlin, 1932). The last column apparently includes employed persons outside the insurance system and is not comparable with the official figures available from 1928 onwards (see p. 69 below).

These estimates show that a substantial unemployment problem existed in the period of prosperity after the revival which took place after the stabilization of the currency in 1923, and the easing of the general situation by London Agreement on Reparations (the Dawes Plan) and by the removal of the customs barrier on the Rhine in 1924. The general

¹ For unemployment in Germany see the *Statistisches Jahrbuch für das Deutsche Reich* (annual), *Wirtschaft und Statistik* (fortnightly), and the *Reichsarbeitsmarkt Anzeiger*. Also Wiggs (K. I.), *Unemployment in Germany since the War* (1933); Wilbrandt and Isenberg, a paper on German unemployment read before the World Social and Economic Conference at Amsterdam in August 1931; Bresciani-Turroni, 'The Movement of Wages in Germany 1920-1928', in *Journal of the Royal Statistical Society*, Part III, 1929. See also Toynbee (A. J.), *Survey of International Affairs*, Economic Section by Hodson (H. V.), (1930, London), pp. 543-5.

trend of activity, aided by the influx of foreign credits, was upward from July 1924 to January 1925, after which there was intense activity until the winter. The wholly unemployed percentage among trade unionists fell to 3.5 in June 1925. The serious crisis at the end of that year was due partly to the *Sanierung* in which unsound undertakings founded in the inflation period were wiped out. By December the unemployment percentage had risen to over 19 per cent, and total unemployment to probably about 1½ millions. Unemployment remained high throughout 1926 in spite of a series of improvements in the political situation, beginning with the Locarno Conference in October 1925 and culminating with the entry of Germany into the League of Nations in September 1926. There was extensive consolidation in important industries in this period, which may have accentuated unemployment. Improvement began in the first half of 1927, and was assisted by activity in housing. In the winter of 1926-7 there were over 2 million unemployed, in the autumn of 1927 just over ¾ million. The situation remained relatively good in 1928 and the early months of 1929, though the severe weather intensified seasonal unemployment. Nevertheless the numbers employed were substantially higher—by an estimated total in 1929 of some three or four millions—than they were before the War. Work had to be found not only for the young people entering industry, for the large numbers formerly engaged in the army and navy under conscription, and for a greatly increased total of women workers, but also for thousands of former rentiers, once able to live on the interest and dividends received from their investments, but now forced by the annihilation of their savings into gainful employment.

Depression Unemployment. For various reasons which are discussed later, the world-wide depression which began in 1929 hit Germany more severely than any other European country. The results on employment are shown in the startling contrast between the number of persons actually in employment in various groups of occupations in June 1925 (when unemployment was at its lowest, less than half a million) and June 1933.

The serious amount of long-term unemployment in Germany is deducible from the number of persons in receipt of transitional payments (*Krisenfürsorge*)—1,348,400 in January 1933; and the number, on the same date, of unemployed persons—1,182,200—who had fallen out of the relief scheme. These latter had been out of work for long periods. The total of these two classes indicate a serious unemployment problem. (See Appendix V)

Table XVIII shows decreases in employment throughout the main industrial occupations. There were increases in some of the 'service' occupations, notably an addition of 331,000 to those engaged in retail trade. Communications showed a decrease of over 180,000. The 1933 Census was taken at a point of deep depression. The figures, therefore, must not be interpreted as necessarily indicating a permanent trend. They are more instructive from the point of measuring the depression. Nevertheless the varying incidence of the decrease has some significance.

TABLE XVIII

Persons Actually in Employment in Various Groups of German Industry¹

<i>Industries</i>	<i>1925</i>	<i>1933</i>	<i>+ or — per cent.</i>
Mining	808,593	419,530	—48·1
Stone and earth*	685,286	401,454	—41·4
Iron and steel	544,488	226,590	—58·4
Iron and steel processes	74,880	46,595	—37·8
Iron, steel, and metal manufactures	864,574	586,439	—32·2
Engineering	1,240,501	608,528	—51·0
Electrotechnical	448,054	248,007	—44·7
Optical and fine mechanical work	150,795	101,087	—33·0
Chemical	320,287	246,723	—23·0
Textiles†	1,212,437	843,308	—30·5
Paper	271,770	182,021	—33·0
Printing, &c	306,652	252,640	—17·6
Leather and Linoleum	165,356	119,873	—27·5
Rubber and asbestos	68,317	48,026	—29·7
Wood and wood-working	950,810	606,471	—36·2
Musical instruments, toys	119,437	37,779	—68·4
Food‡	1,365,499	1,413,752	+ 3·5
Clothing	1,354,827	1,041,440	—23·1
Building, &c.	1,519,034	1,007,084	—33·7
Water, gas, & electricity	148,151	141,123	— 4·8
Cleaning industries¶	204,655	316,241	+54·5

* Includes bricks, tiles, pipes, pottung, and quarrying for these purposes.

† Artificial silk employed 27,400 workers in 1925, 19,400 in 1933.

‡ The increases are mainly in baking, meat supply, and dairy work.

¶ Includes many miscellaneous occupations: laundry, dyeing, chimney-sweeping, window-cleaning, hairdressing, &c. The main increase is in hairdressing.

The number of persons employed and of persons unemployed during the depression is given in the table below. The figures are not strictly comparable for 1933 and 1934 because of the new basis of the statistical material under the National Socialist Government.

It is clear that Germany has shared to some extent in the general movement towards recovery which took place in 1933. There is a solid decrease in unemployment when all deductions are made for changes in registration and for the removal of certain classes from the register. The changes in registration are so important that the fall in the unemployment figure must be discounted to some extent. But the sickness insurance (employment) figures show a real advance, though they are still far below the figure of June 1928 and June 1929.

¹ *Wirtschaft und Statistik*, I April-Heft, 1934, p. 200.

TABLE XIX

Employment and Unemployment in 1929 to 1934

(000's)

<i>Date</i>	<i>In employment*</i>	<i>Applicants for work registered</i>	<i>Unemployed registered</i>
1929 Jan. . . .	15,849	2,896	2,850
July	18,539	1,467	1,251
1930 Jan. . . .	16,159	3,259	3,218
July	16,843	2,820	2,765
1931 Jan. . . .	13,970	4,956	4,887
July	15,020	4,111	3,990
1932 Jan. . . .	12,085	6,120	6,042
July	12,756	5,525	5,392
1933 Jan. . . .	11,487	6,118	6,014
July	13,436	4,791	4,464
1934 Jan. . . .	13,518	4,398	3,773
July	15,533	2,955	2,426
Oct	15,636	2,708	2,268
Dec. . . .	14,873	3,066	2,604

* *Reichsarbeitsmarkt Anzeiger*, Berlin, March 6, 1932, p. 18, and subsequent numbers. The employment figures are based on sickness insurance statistics.

The statistics of the employment exchanges showed an increase in unemployment of 706,000 for the three months ending January 31, 1935, while the fall in the number of persons in employment (returns of sickness fund) was 1,200,000. This is explained¹ as being due to the fact that workers who have exhausted their right to benefit and have given up hope of finding work cease to register. These 'invisible unemployed' are always more numerous in winter than in summer.

The trade-union percentages of wholly unemployed rose from an average of 13.2 in 1929 to 43.8 in 1932. Since that date a new series of percentages based on insurance statistics is available. It shows lower figures than the trade-union figures. 23.7 for 1931; 30.1 for 1932; 25.8 for 1933, 14.4 for 1934.

Improvement explained. The improvement in German unemployment figures in the winter of 1933-4 was explained by the Institut für Konjunkturforschung under four heads:

- (1) The Government employment campaign was aimed at the industries most susceptible to seasonal fluctuations, i.e. building and agriculture.
- (2) The general business revival.
- (3) The appeal made by the Government at the beginning of the winter to distribute work so as to avoid dismissals.
- (4) Various other measures taken to ease the labour market.

To these reasons may be added favourable winter weather conditions which permitted the continuance of many operations, not only in the building trades, but in others usually discontinued in bad weather.

With regard to No. 3 the position is well summed up in the Department

¹ Institut für Konjunkturforschung, *Weekly Report*, March 6, 1935.

of Overseas Trade Report.¹ Employers were expected to engage as many workers as possible, even at the expense of profits and reserves, and to avoid dismissals. The workers for their part had to accept any employment available. Public opinion was so strong in this direction that the wishes of the Government were easily enforced, and the coercive powers in existence had only rarely to be applied. These powers were dormant under the so-called 'demobilization' legislation of 1919 and were revived by recent laws, and are now vested in the area officer known as the Labour Trustee.

Under the heading of No. 4 of this explanation may presumably be included the elimination of double employment, the retirement from industry of large numbers of women, the provision of 'substitute' employment, measures of which some account is given in Part III of this book. There was probably also some loss to the working force by emigration. Moreover, there are changes in statistical method, and probably, in a number of cases, less incentive to register. The importance of these factors in the decline of the unemployment statistics cannot be exactly assessed, and therefore the employment figures afford a better basis for measuring the degree of recovery.

In 1933 and 1934 the various schemes for the occupation of the unemployed were speeded up, and by the spring of 1934 they provided for over a million workers.² Since that date there has been a decline. The Institut für Konjunkturforschung distinguishes between 'regular' and 'substitute' employment, the latter term including labour service, emergency farm help, welfare and relief work. In spite of the immense effort put into organization of this kind, the share in total employment has never been very great, as diagram V shows.

The Institute stated, in commenting on this diagram, that in 1934 building and construction were losing some of their importance in regard to re-employment, as the various emergency projects were completed, and that the increase in activity was largely in other capital goods industries and in industries for which German raw materials were available.

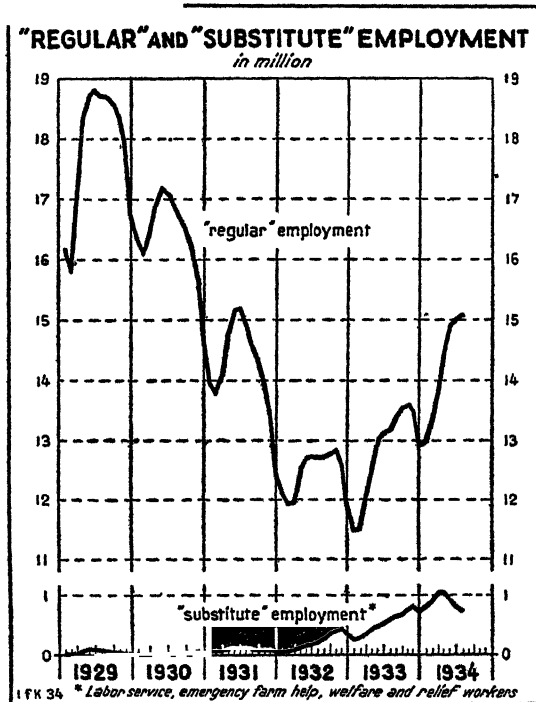
Agriculture. The German employment situation in industry is vitally affected by the position in agriculture. Extraordinary efforts were made in 1934 to draft young workers into agriculture on the basis of nominal wages. But in ordinary times there is a large mass of normally urban

¹ United Kingdom: Dept. of Overseas Trade: Thelwall (J. W. F.), *Economic Conditions in Germany to June 1934* (1934, London), pp. 15-17.

² Production in all branches of the construction industry increased in 1934, and unemployment fell in Feb.-April, when a large programme of public works was put into force. The set-back at the end of the year may be attributed to seasonal influences. Though internal trade improved, there was no corresponding improvement in external trade. In 1933 there was still a favourable balance of trade; in 1934 there was an adverse balance of 284 million marks. Imports increased by 248 million marks, while exports declined by 704 million marks. This change involved considerable shifts in the structure of industry. (See Elsas (M. J.), *London and Cambridge Economic Service*, Supplement to Monthly Bulletin, Feb. 7, 1935.)

labour which finds employment in the summer months in agriculture. Moreover, the seasonal changes in agricultural activity affect trade in the towns serving the agricultural areas. Germany has still a considerable proportion of the working population occupied in agriculture, but the proportion has decreased here, as elsewhere, in the last fifty years. The changes

DIAGRAM V



Source: Weekly Report of the Institut für Konjunkturforschung, Berlin.
September 12, 1934.

Reproduced by courtesy of the Institut für Konjunkturforschung, Berlin.

in the occupational balance of the population whether employed or unemployed are shown in Table XX on page 72.

At the date of the 1933 Census over 4 million out of the 13 million persons normally engaged in industry and handicrafts were unemployed, and a little over a quarter of a million of the 9.3 million engaged in agriculture. Consequently (these deductions being made) agriculture was, *as far as actual employment was concerned*, on an equal footing with industry, a situation without parallel since 1895; with the revival since 1933 there has been some approach to a more normal balance. In addition there were estimated to be about 2½ million persons exercising subsidiary occupations of an agricultural character, usually on small plots of land.

About one-third of the occupied population, classified by occupational status at the census of 1933, were farmers, heads of business, &c. (5.3 millions), or persons assisting the head of the family (5.3 millions). The remaining groups were manual workers (14.9 millions or 46 per cent.); salaried persons (4 millions), officials and soldiers (1.5 millions), and domestic servants. Female manual labour showed a decrease of 5.6 per cent. between the 1925 and 1933 censuses, while male manual labour increased by 4 per cent.

TABLE XX

Occupational Distribution in Germany^a

Groups of occupations	No. of occupied persons (1000's)		Percentage of occupied population in the various occupations*				
	1933	1882	1933	1925	1907	1895	1882
Agriculture and forestry	9,343	7,134	28.9	30.5	34.0	36.4	42.2
Industry and handicraft	13,051	5,787	40.4	42.1	39.1	37.9	34.3
Trade and transport	5,931	1,444	18.4	16.4	13.9	10.9	8.6
Administration and private services	2,701	958	8.4	6.6	6.6	6.7	5.7
Domestic service	1,270	1,562	3.9	4.4	6.4	8.1	9.2
Total	32,296	16,885	100.0	100.0	100.0	100.0	100.0
Unoccupied persons†	5,822	1,225	..	..	..	..	..

^a Excl. dependants.

* Incl. employed and unemployed workpeople.

† Pensioners, persons in receipt of relief, and persons of independent means. The figure does not include dependants.

Source: *Wirtschaft und Statistik*, Berlin, 1934, Nr. 14, p. 437. For an analysis of the figures see also *Ministry of Labour Gazette*, Dec. 1934, pp. 442-3.

Incidence of Depression locally. In Germany there are no areas presenting so marked a contrast with prosperous areas as in Great Britain. Unemployment is more generally diffused. But the situation was naturally worse at the worst period of the depression in purely industrial areas than in agricultural districts, and the fall in external trade hit the ports very badly.¹ The fear that, with the improved prospects of unemployment, there would be a reflux into the towns, led to permissive legislation regulating movements of this kind, and in 1934 migration to Berlin, and subsequently to Hamburg and Bremen, was prohibited. Suggestions were made in 1934 for measures to secure a better distribution of employment over the whole country, and to prevent the concentration of unemployment in the large urban areas. Encouragement was to be given to the setting up of industries in areas at present predominantly rural.

¹ For the figures see *Statistisches Jahrbuch des Deutschen Reichs*, 1933, p. 291.

Incidence of Depression by Industries. As the depression developed, unemployment, here as elsewhere, became most pronounced in the industries producing producers' goods¹ Unemployment became severe in engineering, and disastrous in the building industry, in which total unemployment in March 1933 had reached the fantastic figure of 87.5 per cent.² It was much less severe in the textile and clothing industries. In the highly organized chemical industry unemployment did not become severe until the end of 1930. The degree of revival is shown in the statistics of the degree of utilization of plant These indices for the principal industrial groups and for producers' goods industries and for consumers' goods industries taken as a whole show the number of persons employed as a percentage of the total of working places. They are thus primarily a measure of industrial activity, but they do indicate the measure of employment and the possibilities of rapid extension of employment in the event of revival.

TABLE XXI

Germany. Employment as a Percentage of Capacity of Working Places

	July 1930	July 1931	July 1932	March 1933	March 1934	March 1935
Mining	82.0	66.8	56.2	57.8	61.6	64.2
Iron and Steel	71.3	55.9	44.6	47.5	60.9	75.9
Non-ferrous metals	61.1	57.4	46.5	48.3	66.3	79.6
Engineering	60.6	47.6	32.2	38.4	53.7	..
Electrical engineering	64.2	55.8	41.0	40.5	56.4	68.1
Vehicles	45.5	42.5	31.9	36.1	60.1	81.8
Building	46.9	34.9	22.8	18.8	44.1	49.0
Construction goods in general	59.6	48.6	36.4	36.2	51.9	61.7
Textiles	73.6	67.3	75.2	60.8	69.8	72.4
Domestic requirements	59.0	52.0	41.3	41.2	51.2	57.6
Luxury goods	54.4	46.8	32.6	32.6	35.7	38.1
Staple food industries	60.8	61.5	57.4	57.3	62.9	65.6
Drink and tobacco	78.7	76.4	64.8	67.0	72.0	77.6
Consumers' goods in general	64.8	59.1	47.8	49.6	57.6	60.8
Industry in general	61.9	53.1	41.4	42.1	54.4	61.3

Source: Publications of the Institut für Konjunkturforschung. Engineering series on new basis since 1933.

¹ See the figures of unemployment by industries given each year in the *International Labour Office Year Book* and the *League of Nations Statistical Year Book*.

² This figure relates to a slack season. Moreover building activity depended largely on public subsidies, which were withdrawn during the crisis on grounds of public economy and have since been renewed.

4. *France*

Unemployment figures for France¹ are far from comprehensive. But it is certain that France was almost the last among Western countries to suffer from serious unemployment during the depression. It was not until 1932 that the general level of industrial production fell seriously below the 1928 level—and indeed below the 1913 level—though textile production and iron-ore production had begun to fall in 1930.

Movement of Foreign Labour. The French employment situation presents two very important differences from that of Great Britain and Germany. One is that a considerable number of young men are taken annually off the labour market by conscription. The other difference is that regulation of the demand for heavy labour is achieved partly by controlling the influx and reflux of immigrant labour, employed mainly in coal-mining, metallurgy, building construction, and agriculture, so that the movement of employment would not be correctly shown even by adequate unemployment statistics without taking this movement into account. The foreign workers come principally from Italy, Belgium, Poland, and Spain. Much of the foreign agricultural labour is seasonal.

TABLE XXII

Movement of Foreign Workers²

	<i>Admissions</i>	<i>Repatriations</i>
1929 . . .	179,321	38,870
1930 . . .	221,619	43,789
1931 . . .	102,267	92,916
1932 . . .	69,492	108,513
1933 . . .	60,302	49,047

The high net inward movement in 1929 had by 1932 turned into a heavy outward movement. Whenever there is severe unemployment in France the immigration of agricultural workers, which is at other times a small proportion of the total, shows little change, while industrial immigration falls.

In 1931 there were still 2.9 million foreigners resident in France, of whom 1½ million were wage-earners. It was estimated that by the end of 1933 the total number of foreign residents had declined to 2.2 millions.³ The figures of returning migrants are not very accurate owing to difficulties of

¹ See a paper read by Dr. F. C. Benham before the World Social and Economic Conference at Amsterdam, Aug. 1931, printed in International Industrial Relations Institute: *International Unemployment* (1932, The Hague).

² Algerians are excluded. The figures of Algerian workers practically balanced in 1929 and 1932, but in 1930 there was an excess outwards of 4,600 and in 1931 of 12,100.

³ Cahill (Sir R.), *Economic Conditions in France* (Dept. of Overseas Trade, H.M.S.O., 1934), p. 29.

registration. They probably underestimate the outflow. New restrictions on foreign workers were imposed on November 20, 1934.¹

There was practically no unemployment between 1922 and 1930; indeed the demand for labour had to be met from external sources. But since the onset of the depression there has been unemployment among French workmen, in spite of the large repatriations of alien labour just described. It by no means follows that the departure of an alien worker creates a job for a Frenchman. The French workman is very reluctant to change his occupation and still more reluctant to move from his home. The usefulness of immigrant labour has been partly derived from the fact that it is not rooted in any particular place, or, in a large number of cases, to any special occupation.

Depression Unemployment. Even under depression conditions unemployment is not concentrated either on localities or on individuals to the same degree as in Great Britain, because of the large number of outworkers and job-workers for whom employment is only a part source of income, and the number of small workshops. Out of 10·4 million wage-earners (exclusive of agriculture, fisheries, and the public services) recorded by the census of 1926, only about 2,650,000 were working in establishments occupying more than 100 persons.²

If France was one of the last countries to feel severely the onset of the industrial depression, there has been one very disturbing feature in the development of the crisis in her case. For in the second half of 1933, when other countries were showing improvement, the employment position in France appears to have worsened, and depression deepened throughout the whole of 1934.

Applicants for work in January 1935 at Labour Exchanges were 527,000 as against 345,000 a year earlier. M. Michel Huber³ gives numbers of applicants obtaining work through the public employment exchanges during each month as a percentage of those not placed. The figures are given excluding and including foreign labour. They show that in 1924 jobs were more than twice as numerous as applicants; by the end of 1934 very few were notified for 100 applicants. The figures deteriorated even more for foreign and French labour combined. Estimates of the real total incidence of unemployment differ widely and no accurate figures can be given. Sir R. Cahill⁴ thinks that the number of those wholly unemployed, calculated on the basis of the census and other official returns, may be put at from 700,000 to 800,000 in 1934. A large number of workers are on short time. Part of the rise in the official unemployment figures may be due to increased facilities for relief, but this is hardly sufficient to account for the whole of the increase.

¹ For details see International Labour Office: *Industrial and Labour Information*, Jan. 14, 1935, pp. 56-7.

² Cahill (Sir R.), *op. cit.*, pp. 36-7.

³ *London and Cambridge Economic Service*, Supplement to Monthly Bulletin, Feb. 7, 1935, p. 29.

⁴ *Op. cit.*, p. 37.

Employers' returns covering undertakings employing over 100 workers show a diminution in employment between September 1930 and September 1934 of nearly $1\frac{3}{4}$ millions, whereas the number registered as unemployed at the exchanges in September 1934 was under 400,000. The French Ministry of Labour explains the discrepancy by the exodus of some 450,000 foreign workers,¹ and the withdrawal from gainful occupation of persons with means of their own and of others to work on the land.²

Partial unemployment is an important factor. In 1932 it was calculated to be equivalent in lost hours to total unemployment of 12 per cent. of industrial workers in March, in December to 7 per cent. This was attributed to a change of front on the part of employers. With the reduction in industrial activity workers were dismissed and hours of work reduced; when orders came in, employers seem to have met the situation by resuming the longer hours of work rather than by enlisting new workers.³ In 1934 the slump in employment in large undertakings was not uniform. In transport there was an increase in staff. The industries most seriously affected were (in order of distress) building, pottery, hides and leather, textiles, mines. In the food and chemical industries, commercial undertakings

TABLE XXIII

France Economic Indices 1925-34

<i>Year</i>	<i>Unemployed in receipt of relief*</i>	<i>Applicants for work at employment exchanges</i>	<i>Index of fac- tory employ- ment†</i>	<i>Cost of liv- ing (1914 = 100) Family Budget (Paris)</i>	<i>Industrial production (1913 = 100)</i>
	Average	Average			
1925	712	11,167	..	..	108
1926	1,848	11,706	..	505	126
1927	33,549	47,289	..	514	110
1928	4,834	15,275	..	519	127
1929	928	10,052	..	556	140
1930	2,514	13,859	100	581	140
1931	56,112	75,215	92.5	569	124
1932	273,412	308,096	80.9	526	96
1933	276,033	307,844	79.4	520	107
1934	342,165	376,495	76.9	516	99

* From 1932 onwards, includes unemployed relieved by the public charitable offices.

† Index based on monthly returns of factory inspectors covering about $2\frac{1}{2}$ million workers.

¹ See the figures on p. 74, which are admittedly an understatement. Repatriation in 1934 was very heavy.

² *Ministry of Labour Gazette*, March 1935, p. 96.

³ Labour inspectors' returns show the average proportion of workers employed on short time as 32.5 for 1931, 48.6 for 1932, 38.2 for 1933, 42.1 for the first nine months of 1934.

and the metal trades, employment only began to fall off towards the end of the year.¹

The policy of retrenchment followed by the Government aggravated the situation, and was not checked until 1934. The prospects of employment especially for young men leaving the universities are very poor. The tendency is to reduce recruiting into industry and the professions, to keep the elder men on, to demand more work from the existing staffs and to reduce enrolment. The high cost of living during the first two years of the depression made the deprivation due to unemployment more serious.

Economic Indices The general course of economic activity in France is illustrated by the figures in Table XXIII, above.

5. *The United States*

In considering the course of business and of employment in the United States it should be borne in mind that that country is in a unique position as having by far the largest home market of any highly industrialized State, and being relatively the least dependent on its foreign commerce. This unique position has no doubt contributed to the Americans' belief in the capacity of their country to isolate itself from the frets and fevers of the rest of the world. But the post-war era has seen the United States hit by two great slumps—the immediate post-war depression of 1920–1, and the great break at the end of 1929. There was also a minor but noticeable business recession in 1924, and a boomlet—or at least a period of unusual activity—in 1925 followed by a relative decline before the boom of 1928–9.²

Mobility of Labour. In the United States there has never been a static position in the distribution of industry by location or in the relative importance of different industries. The picture is constantly changing. The same thing is true of the individual worker, who moves easily from one occupation to another, and rarely has strong trade-union attachments. The mobility of labour has been an important asset in the rapidly changing picture of American life. Until the recent depression unemployment has not been the object of relief or the material of statistics, and the unemployed did not regard themselves as a class apart. This state of affairs was only possible when prosperity was the rule and a great variety of jobs were available; it broke down in the depression of 1929 onwards. But the mobility remained. How essential that fluidity of the labour force was in the years preceding the crisis is shown by the great shifts in industrial production, which certainly necessitated much redistribution of labour.

Changes in Location of Industry. The most marked changes in location³ have been the movement of the cotton textiles southwards, largely on

¹ For an examination of these figures see International Labour Office: *Industrial and Labour Information*, March 11, 1935, pp. 308–9.

² Cf. diagram on p. 81.

³ President's Conference on Unemployment: *Recent Economic Changes in the United States* (1929, New York), pp. 206 et seq. Cf. President's Research Committee: *Recent Social Trends* (1923, New York), pp. 237 et seq.

account of cheap labour, of the boot-and-shoe industry westwards, and of the soft coal industry away from Pennsylvania. The figures of industrialization of individual States between 1914 and 1925, calculated on the number of wage-earners in manufacturing industry, show a very great increase in the Middle West and in California, some increase in the Southern States, and a tendency towards decrease in New England. The wider distribution of industrial activity is partly due to the setting up of new branches of industrial undertakings in the districts which they are intended to supply, with the intention of enlarging regional markets and reducing distribution costs ¹ Sometimes the setting up of new plant in the outskirts of towns or in rural areas has been undertaken to save in the cost of sites and in urban rates ²

Changes in Occupational Groups. For the population at large the United States censuses show the following proportional distribution among the various occupations ³

TABLE XXIV

Gainfully Occupied Population by Occupational Groups. (Percentages)

Year	Agriculture and fishing	Mines and quarries	Industry	Commerce	Sea and land transport	Army and navy	Administration	Liberal professions	Personal service	Other
1910	33.1	2.5	27.9	9.7	7.0	0.2	0.9	4.5	9.6	4.5
1920	26.3	2.6	30.8	10.4	7.4	0.5	1.2	5.2	8.0	7.5
1930	22.0	2.0	28.9	12.6	7.9	0.3	1.5	6.3	10.4	8.2

The most marked shift in these occupational percentages is the diminished proportion of employment in agriculture, due to rapid mechanization of the processes in that industry. A surprising feature of these returns is the diminution between 1920 and 1930 in the proportion allotted to industry in view of increased production. The numbers engaged in industry

¹ One explanation of the tendency towards decentralization of industry is given by Mr. R. C. Epstein (discussion on 'Locality Distribution of Industries', *41st Annual Meeting of the American Economic Association*, Dec. 1928). In a growing industry there comes a stage when production is so large and the market so wide that the most economical production and distribution demands that the article be made, or at least assembled, in other areas as well as in the original seat of production. 'The shoe industry, while still a leading New England trade, is now localised also in St. Louis and Chicago. The textile industry has moved South. Even the automobile industry, while still having its stronghold in Detroit, is already decentralising its processes. The Ford Company has thirty-four assembling plants in other cities, such as Chicago, Atlanta, New Orleans, St. Louis, and even Portland and Los Angeles to care for the Pacific coast business.'

² For the figures see *Recent Economic Changes* (op. cit.), pp. 210-11.

³ *League of Nations Statistical Year Book*, 1934, p. 39. Cf. a more recent analysis of the figures by the International Labour Office (*International Labour Review*, January 1935, pp. 125 et seq.), which gives slightly differing results.

increased, but the proportion diminished. It is true that depression had already begun in 1930, but the biennial census in 1929 showed that the movements of production and of employment in industry were by no means parallel.¹ Part of the explanation may be the increased employment in advertising and salesmanship generally necessary to expand the market.

Actual figures of increase or decrease of the gainfully employed population between 1920 and 1930 in important groups are shown below. Between the two censuses there was a total increase of persons gainfully employed from 41·6 to 48·8 million.

TABLE XXV
Increases and Decreases in Occupational Groups 1920-30

<i>Decrease</i>		<i>Increase</i>	
Agriculture and fishing	213,500	Industry . . .	1,278,800
Mining	105,900	Transport and communication . .	745,500
		Trade	1,825,000
		Domestic and personal service .	1,741,600

Pre-Depression Unemployment. As regards the actual course of employment, in so far as can be judged from the limited data available, employment was very unstable just after the War, touching a high point early in 1920, and its lowest point in the middle of 1921. There was another but less marked low point in 1924, but after the recovery in the course of 1925, employment was fairly stable but with a slight tendency to decline (about 8 per cent.) until the middle of 1928, when the upward tendency began which culminated in the boom and crash of 1929. 'Lay-offs, voluntary quits and discharges have all narrowed the range of their fluctuations as the post-war period progressed.'²

¹ Cf. diagram on p. 81.

² Berridge (W. A.), in *International Unemployment* (cited above), p. 294. According to the *Monthly Labor Review*, pp. 62-5, for July 1929 (pub. by the U S. Dept. of Labor), the annual average lay-off rate in factories during the period 1919-28 was as follows:

TABLE XXVI

<i>Year</i>	<i>Average lay-off rate</i>	<i>Year</i>	<i>Average lay-off rate</i>
1919	7·2	1924	7·0
1920	9·7	1925	4·6
1921	21·5	1926	6·1
1922	4·5	1927	8·4
1923	3·5	1928	6·5

These figures were compiled by the Metropolitan Life Insurance Co. with the assistance of a number of local bodies and institutions.

It seems clear that the unevenness of employment in the various branches of industry was accompanied by considerable unemployment in the pre-depression period, but the information available is very slight. Professor Sumner H. Slichter¹ estimated the total shrinkage in employment between 1920 and 1927 in agriculture, mining, factory, and railroad employment at 2,300,000, losses probably more than made good in building, general services, and other occupations. Unemployment was probably greater in 1928 than at any time since 1924, but there was no certainty on the point, or to what degree displaced workers were absorbed. In any case there must have been gaps between leaving the old trade and joining the new under a rapidly shifting scheme of production.

Naturally the rates of labour turnover were affected by current business conditions, and some importance may be attached to the enlargement of industrial units.

'In the case of random or casual fluctuations, small enterprises record wider variations than large concerns. This appears to be true, both of unemployment and of earnings. In the case of cyclical fluctuations, the data indicate that large corporations are subject to wider fluctuations in production and employment than the smaller concerns. This seems to be the result of a more or less conscious policy to shut down the plant and accept the losses resulting from idleness rather than to offer their products at greatly reduced prices, thus accepting the loss on inventory, but maintaining operation. The general tendency is therefore towards production cycles rather than price cycles.'²

Depression Unemployment. The whole position was profoundly altered by the current depression, which, by the end of 1932, had created an unemployment problem of unprecedented magnitude. The full effect of the break on the labour market took some time to become apparent, partly because of the lack of official statistics of unemployment. Moreover, the effect on industry of the business depression was not uniform, and the high degree of mobility of labour enabled a certain amount of transfer to take place. Non-manufacturing occupations, with the exception of mining and crude petroleum, maintained employment at a relatively higher level than the manufacturing industries.

The various methods of spreading work adopted in 1930 and 1931 kept at work a large number of persons who would otherwise have become unemployed. By May 1932 the five-day week was in operation for about 80 per cent. of the workers in the occupations included in the building trade.³ The spread-work movement tended to some extent to delay

¹ 'Market Shifts, Price Movements and Employment', 41st Annual Meeting of American Econ. Assoc., Dec. 1928, printed in Supplement to *American Economic Review*, March 1929.

² Thorp (Willard L.), in *Recent Economic Changes* (cited above), p. 217.

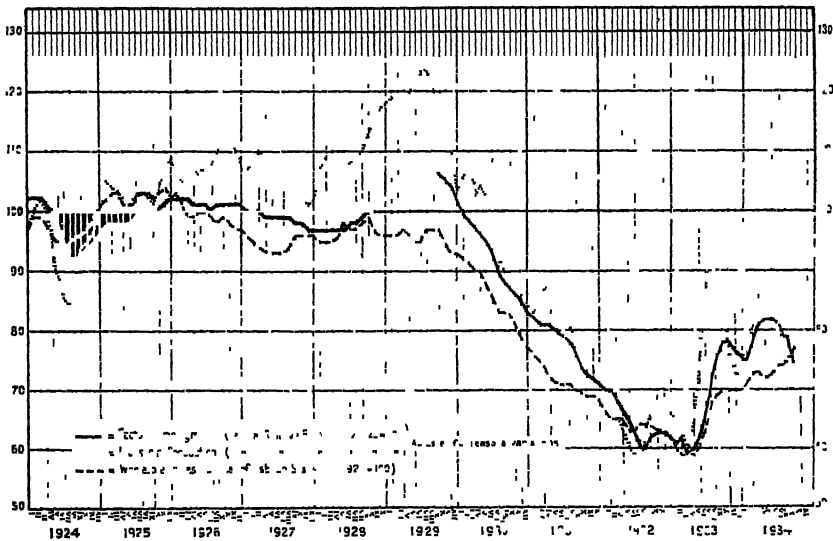
³ The proportion of the membership of certain building trade unions working under agreements for an all-the-year-round working week of five days varied

reductions of wages (which were in any case deprecated by the Hoover administration). Employers who reduced the earnings of their men by cutting working hours were reluctant to cut their earnings again by reducing wages. It was not until the United States Steel Corporation made its first wage-cut (of 10 per cent.) on October 1, 1931, that wage-cuts became general.¹

Some idea of the decline in industrial activity and in employment can be gained from the accompanying diagram.

DIAGRAM VI

United States. Employment, Production and Prices 1924-34



The decline in employment was not evenly distributed. The Federal Reserve Board takes 1923-5 as the basic period for calculating employment percentages. These indices show employment at less than one-half of that standard in 1933 in lumber and lumber products, in stone, clay, and glass products, at between 50 and 60 per cent. in iron and steel, machinery, transportation equipment, and railroad repair shops; the reductions in the consumers' goods trades are *relatively* small, though considerable if measured by absolute standards.

A low point in the depression, in the United States as elsewhere, seems to have been reached in the early summer of 1932. A brief from 53 per cent. in the case of building labourers to 97.1 per cent. in the case of plumbers' labourers. (*Monthly Labor Review*, Washington, Nov. 1932, pp. 1003-4.)

¹ Note by Professor Sumner H. Slichter to the Study Group.

improvement was followed by a fresh recession in March 1933, when the banking crisis threatened the whole American economic structure. Confidence revived with remarkable rapidity, and a concentrated drive against unemployment was initiated by the new administration of President Roosevelt. There was a rapid rise in industrial production until July, when it had recovered to the level of production in the summer of 1930. The rise in employment was considerable, though less steep. The rise in production was followed by a steep fall to the level of the autumn of 1931. The downward drift continued, with a small interruption in the spring of 1934. The most surprising feature of the figures is the divergence between the indices of production and of employment. The explanation appears to be that production of producers' goods failed to show substantial revival. The index of production of durable goods rose from 22.1 in March 1933 to a maximum of 58.9 in June 1934; whereas non-durable products rose from 68.4 in March 1933 to 101 in July 1933, and then receded to 80.4 in June 1934. Farm income in 1934 (despite the drought) was, owing to federal bonuses and higher prices, above the level of 1933. In the first half of 1934 employment in manufacturing industries was greater by over a million persons than in 1933. The magnitude of the unemployment problem is indicated by the report of the Department of Labour, which shows that during the year ended 1934 the National Re-Employment Service and the State Employment Services received 15,387,500 applications for jobs. The total number of placements made was 6,951,500, classified as follows:

TABLE XXVII

Placements by Public Employment Services, June 1933 to June 1934

Public works projects	.	.	.	1,403,300
Civil works	.	.	.	4,123,900
Private employment	.	.	.	1,305,900
Government service	.	.	.	118,400

These figures involve duplications, and they do not cover the whole field.

Throughout the depression consumer demand was surprisingly well maintained. The main indices of activity are shown in Table XXVIII.

Failure of recovery in construction contracts both in the residential and non-residential groups accounts for a considerable measure of continued unemployment, not only in the building industry itself, but in the heavy industries supplying materials and in ancillary industries. A report of a business men's conference held in December 1934 stated that 60 per cent. of the 10 million unemployed were in the durable goods industries, and more than two million of these in one segment of that group—construction.¹

The peak figure of unemployment was reached in the spring of 1933,

¹ For the full Report see International Labour Office: *Industrial and Labour Information*, Feb. 18, 1935.

TABLE XXVIII
*Economic Indices (Federal Reserve Bulletin)*¹

(1923-5 = 100)

	1931	1932	1933	1934
Industrial production:				
Manufactures	80	63	75	78
Minerals	84	71	82	86
Construction contracts awarded:				
Residential	37	13	11	12
All others	84	40	37	48
Factory employment	77	64	69	79
Factory pay-rolls	68	46	49	62
Freight-car loadings	75	56	58	62
Commodity prices	73	65	66	75

when unemployment was variously estimated at from 13 to 15 millions.² Mr. Donald Richberg, reporting to the President on the progress of recovery and reconstruction, puts the fall in unemployment between June 1933 and June 1934 at over 2½ millions. A substantial reduction in the three months before June 1933 is attributed to a degree of business revival and other causes, but the fall in the twelve months ending June 1934 is attributed mainly to the shortening of hours under the N.R.A. programme, i.e. to the spreading of work.³ In January 1935 Mr. Roosevelt put the figure of unemployed persons to be provided for at 5 millions. On that basis, deducting the estimated 1½ millions of 'unemployables', work would have to be found for 3½ millions. Some American opinion regards this as an under-estimate.⁴

Statistics. The available figures for unemployment are the trade-union returns of the percentage of their members employed, the estimates of the American Federation of Labour, and the statistics of the number of families in receipt of relief; for employment, employers' returns for manufacturing industries.

The measure of recovery can be best estimated by the increased employment shown in employers' returns. In the first half of 1934 employment had returned to the level of 1931, but was still 3 millions less than in 1929 in manufacturing industries.

The monthly figures of persons employed on Public Works during 1934 showed a heavy drop at the end of the first quarter owing to the closing down of the schemes under the Civil Works Administration, but began to increase as soon as the Emergency Works Programme came into operation.

¹ November 1934, p. 734. Indices not adjusted to seasonal variations.

² See p. 39 above.

³ For a summary of the Richberg Report see International Labour Office: *Industrial and Labour Information*, Oct. 22, 1934, pp. 94-8.

⁴ 'Unemployable' may mean no more than unsuitable for absorption in available types of relief work—women and others.

TABLE XXIX

Employment and Unemployment: Yearly Average

Year	Employment (Manufacturing industries)	Unemployment		
		Trade-union returns* (base figure 620,000) unweighted		Yearly Average Total estimates* (American Federation of Labour)
		Wholly	Partially	
1927	8,288,400	..	..	..
1928	8,285,800	13	..	..
1929	9,785,600	12	..	..
1930	7,688,400	21	..	3,947,000
1931	6,484,300	26	19	7,431,000
1932	5,374,200	32	21	11,489,000
1933	5,778,400	31	21	11,904,000
1934 (1st half	6,674,800	26	24	10,897,000

* These figures include persons employed on public works.

The monthly unemployment figures for 1934 and the same figures corrected by subtracting the number employed on Public Works are given below.¹

TABLE XXX

Unemployment in 1934

	Total unemployed	Net unemployed
Jan.	11,755,000	7,155,000
Feb.	11,443,000	7,927,000
March	10,849,000	No inclusive figure available (C.W. A. terminated)
April	10,551,000	No inclusive figure available (E.W.P. beginning)
May	10,248,000	8,577,000
June	10,310,000	8,497,000
July	10,793,000	8,662,000
Aug.	10,821,000	8,572,000
Sept.	10,950,000	8,721,000
Oct	10,671,000 (old series)	
	11,039,000 (new „)*	8,409,000
Nov.	11,459,000 („ „)*	figures not available
Dec.	11,329,000 („ „)*	8,988,000

* New series figures based on additional census information.

The magnitude of the residual problem is evident from the scope of operations of the relief authorities.

¹ *American Federationist*, passim.

TABLE XXXI

*Trend of Relief*¹

<i>Date</i>	<i>No. of families receiving relief</i>	<i>Total No. of persons receiving relief</i>	<i>Per cent. of population receiving relief</i>	<i>Total obligations incurred by central, state, and local govts. (million dollars)</i>
Mar. 1933	4,560,000*	..	..	81.2
Aug. 1933	3,351,800	15,077,000*	12	61.5
Dec. 1933	2,631,000	11,663,400	10	56.3
Mar. 1934	3,070,500	13,492,500	11	69.6
June 1934*	3,716,700	16,597,400	13.5	125.0
Dec. 1934*	4,458,800	19,988,600	16	—

* Partially estimated

Single persons receiving relief account for 400,000 to 800,000 persons. The figures in the 2nd column include these and the members of families of those in the 1st column. The drop in the winter of 1933 is due to the transfer of about 2 million persons to relief work under the Civil Works Administration. In the week ending Jan. 18 over 4 million persons were thus employed. With the closing of the C.W.A. programme in March the relief-rolls again increased. Local emergency works were, however, providing for one-third of the cases on the rolls in the summer of 1934. The principal cause of the dollar increase in relief payments per family is said to be that higher standards are necessary when work is provided, for food, fares, &c.

6. *Union of Socialist Soviet Republics*

There are a good many difficulties in providing any clear pictures of employment in the U.S.S.R. From the statistical point of view one serious problem is the revolution in farming and the consequent increase in 'employed persons', not necessarily coincident with more work. But some information can be derived from the figures given in Table XXXII, since collectivization in agriculture had not gone very far in 1929, when only 4 per cent. of peasant households were reported as collectivized. On the other hand, the 'Control Figures' of 1929-30 are for planned national industry only, and have been calculated at perhaps 20 per cent. lower than total employment.

Employment. The estimated number of employed persons in pre-war Russia and in the U.S.S.R. is shown in the table following.²

¹ *Report of the Executive Secretary of the Executive Council to the President, Aug. 25, 1934, p. 24 (Richberg Report).* Total annual figures are given above on p. 11.

² Kingbury (Susan M.), and Fairchild (Mildred), *Employment and Unemployment in pre-war and Soviet Russia.* Address to World Economic Congress at Amsterdam, 1931, printed in *International Unemployment* (cited above), p. 349. The figures for 1934 are from the State Decree of the Central Executive published Jan. 6, 1934, for *intended* labour-supply provided for by the *Gosplan* (State plan). Complete figures are not available.

TABLE XXXII

*Number of Employed Persons**Pre-War Russia & U.S.S.R. (Yearly average in thousands)*

	1913*	1922-3*	1925-6†	1929-30	1934‡
Industry . . .	3,636	2,043	3,105	4,243	..
Census or large scale	2,776	1,659	2,678	3,835	6,129
Non-census or small scale . .	860	384	427	408	..
Construction . .	500	137	426	1,321	3,017
Transportation . .	975	1,093	1,192	1,440	2,333
Communication . .	72	92	94	102	279
Credit and commerce	510	306	615	916	..
Agriculture . . .	3,000	1,100	2,052	2,322||	3,213
Others (including trading) . .		1,865	2,734	2,949	..
Total Employed . .	11,200¶	6,736**	10,218	13,293||	23,225††
Population (estimates)§ . .	131,700	131,700	140,000	154,800	165,700‡‡

* Compiled from Control Figures, 1926-7.

† Compiled from Control Figures, 1929-30.

‡ Compiled from Planned Economy, Oct-Nov, p. 43.

§ 1914

|| Planned figure. See Control Figures, 1929-30.

¶ Estimated.

** Discrepancy in total (probably typographical error).

†† The figures for 1934 show 1,610,000 persons in trading enterprises and 590,000 in communal feeding establishments. ‡‡ Est. 1933, Jan 1.

It will be seen that there was a heavy increase in 1929 over 1913 of about 16 per cent. in industrial workers; the number of persons engaged in construction was $2\frac{1}{2}$ times as great; there was an increase of 47 per cent. in transport, and a considerable increase in all other items except in agriculture, where employment had fallen from 3 millions to a little over $2\frac{1}{4}$ millions. The increases in large-scale industries are accounted for by great increase in the metal trades, and by the newly developed electro-technical industries. The lowest level of production was reached in Russia in the immediate post-war years, but the years from 1923 to 1930 showed an all-round increase. By 1929 the number of 'persons employed' in Russia had risen above the pre-war level. In 1932 the number had risen to 22.9 millions, but this figure is not comparable because of the change in farming. It is useful as a basis of comparison with 1933. In that year the Gosplan provided for a reduction in the building trades of from 2.7 million to 2 million workers and on State farms from 4 millions to 3.6 millions. The total average figure of employment in 1932 was 22.9 millions; in 1933, 21.8 millions.¹ The average number of employed persons, however, rose in 1934 to 23.2 millions.

¹ International Labour Office: *Industrial and Labour Information*, Geneva, April 10, 1933, p. 47, and April 2, 1934, p. 9.

Unemployment During the years of civil war, registered unemployment in Russia was practically non-existent. This does not mean that every one had work and the means of livelihood, but that organized employment was at a low ebb. It was only when some degree of organization was accomplished that unemployment could be measured at all. The number of unemployed in 1920-1 was estimated at 150,000 only; in 1923-4 it was registered at 1,344,000. The figure was large in 1924-5 and reached its high-water mark in April 1929 with a figure of 1,772,500. After that there was a reduction, until in July 1930 the record showed only 633,400. The official statement for 1929 attributed the growth of unemployment mainly to the new entrants into industry—new workers, young persons, and peasants seeking industrial employment for the first time. In July 1930 the Commissariat of Labour declared that there was no further unemployment in the Soviet Union except for the new and unskilled workers who could be placed after training, and transferred to districts short of labour. They therefore turned their attention to the training and rehabilitation of workers rather than to insurance. In 1931 there was still a shortage of industrial workers, and labourers on collective farms were encouraged by a decree issued in June to leave them and to enter industry. But in March 1933 the position was reversed. Large reductions in the personnel of industry were contemplated, and collectivized farm-workers were forbidden to leave the farm for industry except by contract between the farm management and the industrial undertaking concerned.¹

Unemployment 'non-existent'. In January 1935 M. Kuibyshev stated, in his report to the Third Moscow District Congress of Soviets, that the U.S.S.R. was the only country in the world without unemployment. Now the statement that unemployment is officially non-existent and that large reductions in working staffs have been made at various times must not be taken to mean (1) that there are no unemployed workers on the one hand, or (2) that there is no shortage of certain kinds of labour on the other.

To take the second point first. The shortage of technically trained engineers and others in Russia is a serious preoccupation with the Soviet Government. A Government Order of September 15, 1933, stated that, although in the last five years 172,000 specialists and 308,000 technically trained workers had been trained in the universities and in the higher and secondary technical schools, the supply was still insufficient. In future State-trained engineers and specialists must work for at least five years in the technical processes of industry, and severe restrictions were put on their taking up office-work or research-work.²

On the first point it is necessary to understand that since unemployment does not officially exist, no provision was made for unemployed persons. In earlier days they could have returned to the farm, but the progress of collectivization put obstacles in the way of this solution. The housing

¹ International Labour Office: *Industrial and Labour Information*, April 10, 1933, p. 48.

² *Ibid.*, Nov. 6, 1933, pp. 170-73.

and food shortage in industrial centres made the removal of unwanted workers from those areas essential. Therefore unemployed workers could only reside in 'second-class zones'. A worker who was dismissed might retain his ration-card for fifteen days after dismissal, and after that period must, if he had not obtained new work, retire from the industrial area, thus making room, in the congested housing conditions, for workers. The removal was enforced by a strict passport system. In the autumn of 1934, however, the ration-cards were abolished. The abolition of ration-cards was met by fixing the untaxed income of workers at 140 to 150 roubles a month (including additional payments in compensation for the abolition of bread-cards) for 1935, instead of 90 to 115 roubles in 1934.

The Five-Year Plan. The Five-Year Plan 1928-32 proposed on the one hand the reorganization of agriculture, and on the other the equipment of industry by up-to-date plant. A degree of internal inflation took place, though the Government monopoly of external trade and foreign exchanges was used to maintain the external value of the rouble. Money in circulation rose from 2 milliards in 1928 to 6 milliard roubles in 1932. Considerable credits were secured from foreign suppliers and in addition large quantities of raw materials were exported. Exports reached their peak in 1930, and declined in subsequent years. In commenting on the results of the Five-Year Plan, the Economic Intelligence Service of the League of Nations points out that the same phenomenon of unbalanced production and over-capacity in heavy industry shown elsewhere in the years 1925-9 existed in Russia up to 1932, and 'in that year idle and unfinished plant betrayed the unbalancing of production. The special difficulties connected with the improvisation of a skilled labouring force and the co-ordination of industrial equipment have made the great effort at rapid capital construction much more costly than it might otherwise have been'.¹ Moreover, the cost of the imported machinery in terms of Russian exports was rendered greater by the fall in agricultural and raw material prices and entailed greater sacrifices. The great increases in production of producers' goods of all kinds was the great achievement of the Five-Year Plan. It was less successful in agriculture, except in the increase in the production of cotton, and the process of collectivization was accompanied by heavy losses in cattle. The new Plan, which opened in 1933, devotes more attention than the first to the production of consumers' goods. Retail trade has already increased, and further increases are proposed.²

Employment under the Second Five-Year Plan. The proposals for the Second Five-Year Plan, were again discussed at congresses in January 1934. In 1933 arrangements had been made, as has already been stated, for reduced employment, a fall of about a million, but the 1934 programme provided for an increase in employment of 1½ million persons, mainly

¹ League of Nations: *World Economic Survey, 1932-3* (1933, Geneva), p. 74. For the degree of fulfilment of the Five-Year Plan see *World Production and Prices, 1925-33* (1934, Geneva), pp. 55-6.

² *Economic Life*, Moscow, Jan. 18, 1935, statement by M. Sulimov.

in State agriculture and building. By 1937 the total of employed persons was to be 29,600,000 (as against 23,400,000 in 1934), about 9 millions of whom would be in industry. This does not necessarily mean an increase of work of this order of magnitude, as allowance is probably made for a further incorporation of independent peasants in collective agriculture.¹

Shifts in the Location of Industry. Large shifts in the geographical distribution of industry and in production are to be seen in the U.S.S.R. There is a movement eastward in population and in industrial activity. The development of Siberia is to be carried still further under the Second Five-Year Plan. It is stated that about one-third of the total capital to be invested in the national economic system during the years 1933-7 will go to the Eastern regions—Urals, Siberia, Bash-Kiria, Kazakstan, and the Far East. The motive of this development is partly economic, to bring industrial operations closer to the sources of raw materials; partly strategical, to establish large industrial centres far removed from the western frontier, and partly perhaps to strengthen industrial resources at a point nearer to possible conflict in the Far East.

The migration in agriculture has been very extensive, especially in the last two years. Large areas in the more remote districts of Asiatic Russia are being opened up by the settlement of peasants who have been removed from their homes in the west and the south. Large numbers of Cossacks from the Kuban have been transferred in this way. But the movement is much more than the transference of villagers for political reasons (which probably plays a relatively small part) and is part of the general orientation eastwards.

¹ For an analysis of the Second Five-Year Plan see a Memorandum published by the Birmingham Bureau of Research on Russian Economic Conditions (1934). A brief summary is available in the *World Economic Survey, 1934*, p 73, printed in Appendix VIII with information bringing it up to date.

CHAPTER VI

DEPRESSION UNEMPLOYMENT

THE information contained in the previous chapters shows that there was a substantial unemployment problem before the crisis of 1929, in Great Britain, Germany, and the United States. A total figure of 10 million persons throughout the world has been suggested as a conservative estimate for 1928.¹ In the years that followed unemployment assumed proportions in certain countries which may fairly be called catastrophic. In 1931 it was estimated that from 20 to 25 million persons were out of work in the countries making returns to the International Labour Office. The situation grew progressively worse until the autumn of 1932, after which improvement began in some countries, though not in all. Total unemployment was still estimated at over 27 millions in 1933. It is true that these figures are heavily weighted by the rather doubtful American figures, but a figure of approximately 30 million persons may be accepted as a rough measure of unemployment throughout the world at the depths of the depression. If the pre-depression figure of 10 millions is accepted, 'depression employment' may be taken to account for two-thirds of the whole in the world at large. But it must be remembered that unemployment in the United States was multiplied by 4 or 5,² and the proportionate increase varied in different countries.

World Unemployment Index. Statistics are less satisfactory for unemployment than for other aspects of the crisis, i.e. the decline in prices, production, and trade. Nevertheless an attempt has been made by the International Labour Office to construct a general aggregate index of unemployment for sixteen countries since 1929. No claim is made for exactitude, which is impossible in view of the varied nature of national statistics, but the composite index³ gives a general idea of the trend of unemployment.

The international index shows the steep rise in unemployment from the middle of 1929 to the winter of 1931-2. From the late autumn of 1932 there was a substantial improvement corresponding to the

¹ International Labour Office: *Report of the Director* (1933, Geneva), p. 30.

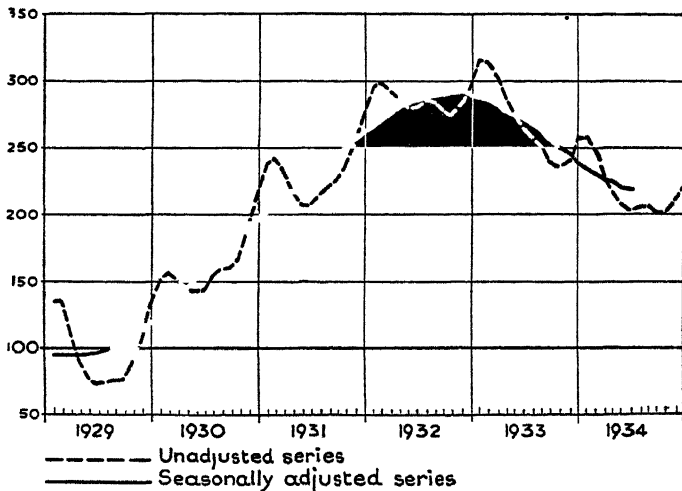
² The percentage given on p. 84 refers to trade-union returns. Total unemployment shows a much higher increase.

³ For an account of the methods employed and the necessary reservations on the results obtained see article by John Lindberg, 'Some Problems in the Construction of Index Numbers of Unemployment', *International Labour Review*, April 1934, pp. 472-99.

other international economic indications, although seasonal depression was acute in the winter of 1932-3. In the summer of 1934 unemployment was still twice as great as in 1929. There was an improvement in the first half of 1935. A continuance of the curve in Diagram VII shows that by May 1935 the level of unemployment (1929 = 100) had fallen to 191. An index of this kind can do no more than show a general trend, and the dates of the beginning of the slump and of recovery are not necessarily the same in all countries.

DIAGRAM VII

International Index of Unemployment (1929 = 100)



Source. International Labour Office, *Report of Director* (1935, Geneva), p. 14.

Reproduced by courtesy of the International Labour Office.

In 1929 there was already heavy unemployment in many countries; in others serious difficulty did not begin until later.

Detailed figures for depression unemployment and for the course of unemployment have already been given for Great Britain, Germany, France, and the United States. Statistics for other countries are given in Appendix IX. The monthly figures are available in the publications of the International Labour Organization. A comparison with pre-depression figures provides a rough measure of the unemployment due to the slump, and shows that at the height of the crisis some three-fourths of unemployment in Germany and the United States and perhaps one-half in Great Britain might be described as depression unemployment.

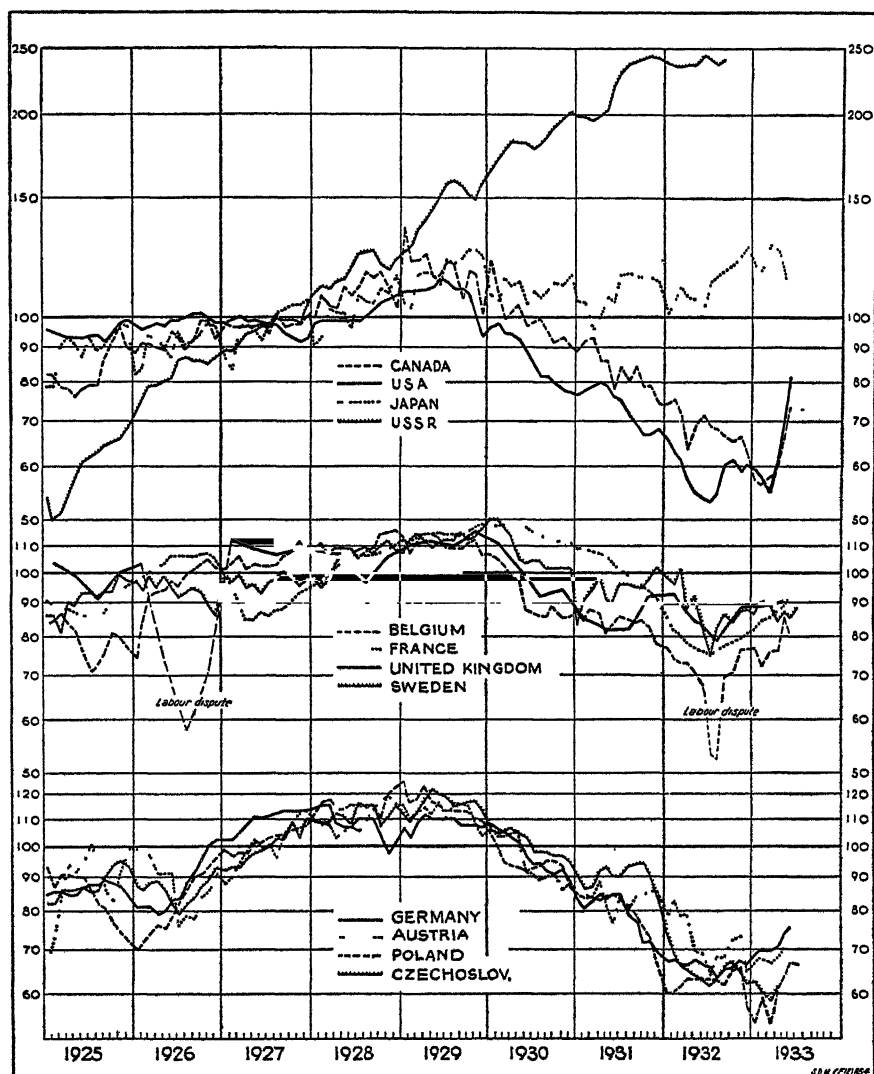
2. Industrial Production

Indices for Certain Countries. Unemployment usually bears an inverse relation to the volume of industrial production, the general indices of production for the principal countries showed a rise between 1925 and 1929, and from that date onwards a decline until the middle of 1932, except in Japan and the U.S.S.R. In the latter country production moved rapidly upward without a check until 1932. The curves here shown are grouped for non-European, western European, and central European countries. It will be seen that Canada, closely connected with the United States as she is, followed very much the same course. There is also a fairly close correlation in the course of production in Great Britain, France, Belgium, and Sweden, except that French production did not decline so steeply until 1931. The countries of central Europe reached their peak of production rather earlier, and the beginnings of recovery were a few months later than in western Europe.

Depression in Producers' Goods Industries. The depression generally fell in all countries more on producers' goods than on consumers' goods. This, of course, was to be expected, quite apart from the evidence of former slumps; for in bad times it is far easier for companies to economize in replacements and improvements than for individuals to cut down their ordinary expenditure. Moreover, for obvious reasons, profits, which are the inducement for capital expenditure, and to some extent the fund from which it is financed, fall more rapidly than incomes as a whole. (Iron and steel, shipbuilding, mechanical engineering, motor-car production, and the timber industry suffered most heavily, and in those trades unemployment was correspondingly serious.)

Perhaps the best evidence of the solidity of the tendency to recovery was to be found in the substantial rise in the first quarter of 1934 in the production of investment goods. During the revival of industrial activity which began generally at the end of 1932 and continued up to 1934, the output of investment goods recovered in the United States, Germany, the United Kingdom, and in the countries in northern Europe. In the European gold-standard countries, the revival of investment activity was delayed, and industrial activity as a whole rose but little from the middle of 1933 to the beginning of 1935; in France it declined. Even at the lowest period of the depression the production of goods for consumption, as compared with the level of 1925-9, did not fall in the principal industrial countries (except in Poland) by more than 30 per cent. The fall in the production of

DIAGRAM VIII

General Indexes of Industrial Production

League of Nations' Supplement to the *Monthly Bulletin of Statistics*. Special No., May 1933, Geneva, p. 12. Prepared for the Monetary and Economic Conference.

Reproduced by courtesy of the Economic Intelligence Service of the League of Nations.

investment goods was nowhere so heavy as in the United States, where such production had fallen in the third quarter of 1932 to 24 per cent. of the 1925-9 level, while the production of consumers' goods never fell below 73 per cent. In the United Kingdom the lowest index for producers' goods was 72 per cent. in the third quarter of 1932, when the output of consumers' goods was still maintained at or above 85 per cent.¹

TABLE XXXIII

Indices of Industrial Production

(1928 = 100, for Japan 1930 = 100)

I. = *Investment Goods*; C. = *Consumption Goods*

Year	Germany		Poland		Sweden		Japan		United States		U S S R	
	I.	C.	I.	C.	I.	C.	I.	C.	I.	C.	I.	C.
1929	104 0	94 8	98 4	96 0	109 5	102 0	.	.	108 6	104 4	131 4	121 0
1930	88 7	92 3	78 1	80 2	102 9	102 0	.	.	78 9	90 6	186 3	145 6
1931	65 4	85 7	58 8	72 1	85 7	97 1	102 6	102 1	52 4	89 0	242 1	169 1
1932	50 2	77 7	41 7	61 5	75 2	98 0	107 6	109 3	30 0	79 2	282 9	184 7
1933	58 5	84 8	45 9	61 7	80 0	97 1	125 2	123 0	44 7	87 9	313 6	197 2
1934	81 0	93 1	54 5	68 8	100 0	114 7	141 7	127 5	50 2	87 1	377 7	225 8

Source League of Nations, *Monthly Bulletin of Statistics*

The index shows the movement of the volume of industrial production. Where the original indices are of value they have been corrected for currency changes. For particulars of the method of compilation see the notes given in the League of Nations' *Statistical Year Book*

3. *Fall in Prices*

General Level. Another index of the depression is the fall in the general level of prices (see Appendix X). The figures exhibit the serious discrepancies between the levels in different countries, the relations between which are constantly changing. The uncertainty is a serious complication in the exchange of commodities. The falls registered are not necessarily comparable, because of the varying composition of the indices, which may be heavily weighted in respect of commodities with wide variations in price (e.g. wool in Australia and South Africa). Even if all the indices were so weighted as to be reasonably comparable, they would not always represent the natural price-level. Governments have intervened to raise prices in some cases, as in the United States since 1933. In the gold countries measures in defence of the currency have affected prices. On the other hand, devaluation by certain countries, creating lower gold export prices, has intensified competition for outside markets, and increased the general disorganization. Moreover, prices expressed in national cur-

¹ See League of Nations: *World Economic Survey, 1933-4* (1934, Geneva), p. 127.

rencies have not moved in proportion to the changes which have taken place in foreign exchanges.

Prices of Individual Commodities. Prices have fallen more heavily in certain groups of commodities than in others (see Appendix X). Gold prices of copper, coffee, rubber, wheat, maize, and silk in January 1934 were less than a third of the 1929 price, raw cotton less than half, coal 65 per cent. These measurements are not very exact, since a world price of many commodities in the old sense has ceased to exist. Prices are in many cases not natural prices, but prices modified by various controls. The League of Nations *Review of World Trade* gives each year the percentage average change in gold export prices for various important commodities in world trade. This index shows that between 1929 and 1933 the greatest price-reduction was in raw materials (except coal and pig-iron), and for food products, and the smallest for manufactured consumers' goods and certain controlled capital goods.

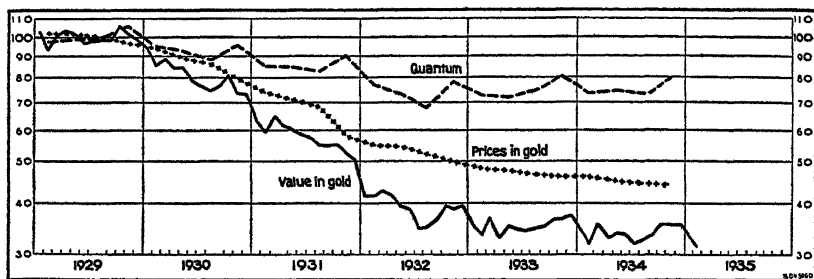
4. Fall in World Trade

The great fall in prices in these and other important commodities entering into world trade obviously led to a great decline in the total values of exports and imports. The fall in volume was also considerable, amounting to approximately 30 per cent. in 1932.

DIAGRAM IX

Movement of World Trade

Logarithmic scale (1929=100)



League of Nations' *Monthly Bulletin of Statistics* (March 1935, Geneva)

Reproduced by courtesy of the Economic Intelligence Service of the League of Nations.

Though by 1933 the indices of production showed signs of improvement, the diagram shows that there was still no substantial revival of world trade. The situation is summarized in Table XXXIV, giving indices of world trade, of industrial production, and of the production of raw materials and foodstuffs.

TABLE XXXIV

*World Trade and World Production, 1929-33¹**Quantum Indices*

(Base: 1928 = 100)

<i>Year</i>	<i>World trade*</i>	<i>Industrial† production</i>	<i>Production‡ of raw materials</i>	<i>Production‡ of foodstuffs</i>
1929	105	107	107	100
1930	97	94	98	101
1931	90	83	88	99
1932	78	73	78	101
1933	79	82	85	100

* League of Nations: *Monthly Bulletin of Statistics*, March 1934, p. 97.† Institut für Konjunkturforschung, *Vierteljahrsheft zur Konjunkturforschung*, 8-B-IV.‡ League of Nations: *World Production and Prices, 1925-33* (1934, Geneva).5. *General Course of the Depression*

International Lending. The difficulties in agricultural raw-material producing countries had in fact begun during the period of relative prosperity in 1925-9. Prices of raw materials were already beginning to fall in 1925. How serious this fall was is shown by the repeated efforts at the valorization of primary products.² The situation in these countries was aggravated during the depression by the falling off in international lending.

Irregular capital movements inevitably have far-reaching effects on borrowers and lenders alike. The borrowing country, denied of the inflow of capital to which she had grown accustomed, finds herself unable to purchase from abroad on the old scale and is forced to stimulate exports not only in order to be able to maintain the purchase of necessities but also to pay interest on old debts. These efforts lead, as a rule, to the fall in price of the borrower's exports as larger and larger quantities are forced on the world market.

Simultaneously the creditor country finds that her exports are falling off owing to diminished purchasing power among the debtors. The former flow of capital had affected the industrial structures of borrower and lender alike, and had built up defined channels of trade. With the cessation of capital movements trade changes,

¹ League of Nations: *World Economic Survey, 1933-4* (1934, Geneva), p. 45.² For an account of some of these see *World Agriculture*, Royal Institute of International Affairs, 1933.

values are upset, and the economic structures are called on to adjust themselves to an entirely different state of affairs. Falling prices are the inevitable result, and default and upheaval become possibilities, and in their turn add to the general uncertainty.

The figures which follow¹ illustrate the fall in capital imports by debtors in the period 1927-31:

TABLE XXXV
Imports of Capital by Debtor Countries in 1927-31
(Millions of dollars)

	1927	1928	1929	1930	1931
Europe	927	904	339	325	229
Canada	358	250	427	395	185
Latin America	541	452	155.6	329.7	26.1
Africa	219.4	208	147.1	249	160
Asia	149	172	78.7	263	199
Australasia	318	227.5	89	94	26.7
Total	2,512.4	2,213.5	1,236.4	1,655.7	825.8

The fall in the total, very marked between 1928 and 1929, reviving in 1930, falling to record low levels in 1931, is spectacular enough. It is even more arresting when we consider individual items: Latin America and Australasia receiving practically nothing in 1931; European borrowings cut down to less than a quarter of the total of 1927. Mr. Colin Clark writes:²

'It was in 1931 that the trouble was really brought to a head by panicking creditors demanding the repayment of their short-term loans. In 1931 there was some repayment, and in 1932 the primary producing countries of the world are estimated to have repaid, in the depths of the depression, some £80 million of short-term loans.'

In England deflation was intensified by the difficult financial conditions resulting from the drain of funds, attracted to New York by the high profits to be made on the Stock Exchange there or returning to France after the revaluation of the franc in 1928.³

¹ *L'Observation Economique*, November 1932; quoted by Malpas, *Les Mouvements Internationaux de Capitaux*, Paris 1934, p. 326.

² In a note to the Study Group. A study of International Investment is in preparation by a Study Group of Chatham House.

³ The credit restriction in 1929 has been attributed to the absorption of gold by France and the United States. In 1929 France took 10 milliards (£80,000,000), of which 7 milliards were required to replace foreign exchange disposed of. The United States took 245 million dollars (£50,000,000) up to the end of October, and then lost 103 million dollars of it in November and December. Hawtrey (R. G.), *Trade Depression and the Way Out* (1933), p. 31. But see Dr. P. Schwob, in *Economica*, August 1935.

In Europe previous lending had tended to increase productive equipment and thus to unbalance production. During the period 1920-5 capital issues for European account went mainly to Governments and municipalities, while from 1925 onwards issues for industrial enterprises increased. German imports of capital alone amounted in 1924-9 to 4,130 million gold dollars,¹ and a large part of this money was used for the development of industry.

There was a considerable instability in the general situation, and, as we have seen, substantial unemployment in the principal countries before the storm broke in New York in the autumn of 1929. Business conditions in industrial countries were already beginning to be affected by the failure in demand from agricultural countries, by strained financial conditions, by intensified international competition, and by the failure of home purchasing-power to keep pace with productive capacity.

Crisis in the United States. Feverish activity in the United States was bound to lead to some reaction. Regression in United States industry began in June, and by the end of the year had fallen below the 1923-5 level. In October and the first half of November inflated values on the New York Stock Exchange dropped. Between September and mid-November there was a drop of 33 per cent. in the value of industrial shares. The reaction of the collapse on the New York Stock Exchange in other countries was profound, both on commodity prices² and on monetary systems.

Increase in Unemployment. The results of these happenings on employment were soon apparent. The average number of insured persons in employment fell in Germany from 17·6 millions in 1929 to 16·4 millions in 1930; the index of employment in the U.S.A. fell by 12·7 per cent. in 1930 from the 1929 level, by 5·5 per cent. in Canada, 4 per cent. in Great Britain, 7 per cent. in Italy, 13·2 per cent. in Poland. The year 1930 opened with the adoption of the Young Plan in January and the consequent hope of better conditions in Germany. But in February there was a crisis in the Chicago and Winnipeg wheat markets, in March there was a severe break in the Australian

¹ Ohlin (B.), *Course and Phases of the Present Depression* (1931, League of Nations, Geneva), p. 32.

² 'These price declines are probably a long-deferred consequence of the increasingly acute constriction of credit the world over which accompanied the American bull market for stocks during the past two years. This tended not only to retard the normal expansion of industry, trade and purchasing power abroad by turning the stream of capital funds towards the United States, but also gradually to cut off the flow of purchasing power from the United States to foreign countries through foreign loans' (*Business Week*, New York, Feb. 26, 1930).

exchange, in May a further slump in Wall Street, in June an attempt to maintain agricultural prices in the United States by the formation of the Federal Farm Board, repeated political crises in Germany (July and September), and in December a severe financial crisis in New York.

We have seen that the pre-depression figure of world unemployment had been put at 10 millions. By the end of February 1931 this total was exceeded by two industrial countries alone—Germany and the United States. Unemployment had more than doubled in many countries. The exceptions were Japan and some of the Baltic States, and the U.S.S.R., where the Five-Year Plan created a great demand for labour. In spite of the degree of self-containment of the U.S.S.R. she was affected seriously by the depression, since the Five-Year Plan provided for large imports of machinery contracted for at prices which became onerous when measured in terms of exported food and raw materials with heavy falls in price.

Depression in industry and in agriculture persisted throughout 1931, and by the end of the year it was estimated that unemployment accounted for 20 to 25 million workers.¹

Credit Crisis of 1931. The position in Europe was aggravated in that year by the credit crisis following suspension of payments by the Kredit-Anstalt at Vienna on May 14, and by the political disturbance caused by the proposals for an Austro-German Customs Union. The outlook, momentarily lightened by President Hoover's proposal for a moratorium for inter-governmental debts, and its acceptance at the beginning of July, darkened after the failure of the Darmstadter Bank and the temporary closing (July 14) of other German banks, except the Reichsbank. In August a standstill agreement was concluded by Germany with her creditors, but no sooner had this immediate difficulty been surmounted than the integrity of the pound sterling was questioned. There were heavy withdrawals of gold from the Bank of England between the middle of July and the middle of September, and the United Kingdom suspended the gold standard on September 21, 1931,² India and New Zealand on the same date ;

¹ International Labour Office: *Report of the Director* (1932, Geneva), p. 15.

² Since Great Britain is a great importer of raw materials and foodstuffs the depreciation of sterling was useful in correcting the disparity which had developed between prices of these commodities and of manufactured goods. 'The deterioration of the barter terms of trade of countries exporting mainly raw materials and foodstuffs was thus arrested or mitigated' (*Review of World Trade, 1933* (1934, Geneva), p. 64) by the reduction of the gold prices of manufactured goods exported from the United Kingdom. The writer of the *Review* just quoted points out that the countries which in the beginning of the depression had recourse to currency depreciation were all producers of food-

the Scandinavian countries followed suit before the end of the month, South Africa not until December 1932. Japan left the gold standard in December 1931. There were serious financial difficulties in New York, and in Paris and in Berlin. The credit crisis of 1931 drove many countries to adopt exchange restrictions and restrictions of various kinds on trade and commerce, in order to maintain their currencies, and these in their turn helped to delay recovery.

Signs of Recovery. The position at the beginning of 1932 was not therefore a hopeful one, and it was aggravated by the collapse of the Kreuger group in March. Nevertheless there were signs that in the industries providing consumption goods demand was reviving, and in the latter half of the year there was an upturn in producers' goods both in the United Kingdom and in Germany. It appeared that the depth of the depression had been reached in the summer of 1932 and that the natural forces making for recovery would assert themselves. Unfortunately there was some set-back in November and December. But there had been some revival of confidence, evinced by the successful conversion of British 5 per cent. War Loan to a $3\frac{1}{2}$ per cent. basis, by the success of Australian conversion operations, and by the conversion of a large block of French Government securities in September. These and similar achievements elsewhere would hardly have been possible but for the agreement reached at Lausanne in July on reparations, which cleared the way for European revival. Other conferences in 1932 had important effects in restoring confidence, the Ottawa Conference in the summer and the Stresa Conference in September for the economic restoration of central and eastern Europe. It was hoped that international co-operation would be further strengthened by agreement on general financial questions at the World Monetary and Economic Conference summoned for the summer of 1933 in London.

Banking Crisis in the United States. In the meantime, however, a first-rate banking disturbance developed in the United States in February 1933. President Roosevelt was inaugurated on March 4, when 'banking holidays' had been declared in many States, and on

stuffs and raw materials, and that the depreciation of sterling was a natural corollary of the fact that British export industry is primarily dependent on sales to those countries. The European industrial countries maintaining the gold values of their currency at par have considerable exchanges of goods with one another. Broadly speaking the division between gold and paper countries was therefore between groups within which countries are mutually dependent upon each other for their exports.

The position of Great Britain was of course very differently affected if the country devaluating her currency was a competitor. The devaluation of the yen intensified competition in disputed markets.

March 6 a national banking moratorium was proclaimed. Dealings in dollars were suspended and the gold bullion market in London closed. Simultaneously a Nazi Government was secured at the German elections (March 6). The first quarter of 1933 saw a set-back everywhere. Unemployment returns for March 1933 showed an increase over March 1932 in Austria, the United Kingdom, Czechoslovakia, Denmark, the Netherlands, Switzerland, France, Hungary, Italy, Norway, Sweden, and Yugoslavia. In Germany the figure stood at over 6 millions in February. In the United States there were said to be $13\frac{1}{2}$ million unemployed.

The World Monetary and Economic Conference in the summer failed to reach any agreement on the main point at issue, the establishment of 'stability in the international monetary field'.¹ But all Governments began concerted measures to deal with unemployment, some of which are described in a later section of this book, and the forces of natural revival began to be increasingly felt in spite of all difficulties raised by restrictions on trade, among which exchange controls were not the least formidable.

Further Signs of Recovery. Nevertheless, taking 1933 as a whole, the decline in employment was arrested. There was some improvement as the year went on in Australia, Denmark, Germany, Great Britain, Japan, and the United States (shown in the employment returns, but not in the trade-union index), but the depression deepened in Canada, and in some European countries, notably in France.

In the spring of 1934 it was possible to say that the short-run forces of the business cycle were making for recovery, but that longer-run forces, dependent on Government action, were still in process of determination.² There was a recovery in production, in employment, but not a corresponding recovery in international trade. Between January and November 1933 official figures recorded a decline of unemployment in Germany from 6 million to about $3\frac{3}{4}$ million persons.³ In the United Kingdom unemployment decreased from 2.95 millions in January to 2.26 millions in December, and employment in Great Britain increased from 9.27 to 10.01 millions. In the United States the peak of unemployment was reached in the banking crisis in March 1933; by the end of the year some 2 million persons had resumed ordinary work and more were employed on public works or

¹ For a full account of the failure of the World Monetary and Economic Conference see Hodson (H. V.), in *Survey of International Affairs, 1933* (1934, London, Royal Institute of International Affairs).

² League of Nations: *World Economic Survey, 1933-4* (1934, Geneva), p. 14.

³ There was some change in the nature of the statistics which makes these figures not quite comparable.

relief works. Of these three highly industrialized countries Great Britain had suffered least,¹ but she had not experienced the intensity of activity that existed in the other two before the slump. In 1934-5 recovery was making definite headway in Great Britain.²

The employment indices gave a more favourable impression than those for unemployment. On the whole there was general improvement in 1934. The December unemployment figures³ were an improvement on those of the preceding December for most countries, the exceptions being Belgium, Bulgaria, France, the Irish Free State, the Netherlands, Poland, and Yugoslavia. The International Labour Office commenting on the employment statistics points out some apparent conflict between these and the figures of unemployment in certain cases; some part of increased employment is due to the absorption of new-comers. But generally speaking there was more employment in the autumn of 1934 than in 1933: an addition of over $1\frac{1}{2}$ millions in Germany, $\frac{1}{4}$ million in Great Britain (December figures), but a decline in France of 3·8 per cent., in the United States (private industry only) of 1 per cent., and of varying magnitude in the Netherlands, Belgium, and Czechoslovakia. The employment figures published by the International Labour Office in July⁴ showed a further improvement in Great Britain and Germany, a further decrease in France. In the United States the employment index in May 1935 stood at the same point as in May 1934.

¹ International Labour Office. *Report of the Director* (1934, Geneva), p. 24.

² For the figures see the *Board of Trade Journal*, Feb. 1935, pp. 329-30, where the various indices are available.

³ International Labour Office: *Industrial and Labour Information*, Jan. 14, 1935 (Geneva).

⁴ *Ibid.*, July 1, 1935.

PART TWO
THE BACKGROUND OF UNEMPLOYMENT

SECTION I

THE DEPRESSION

CHAPTER I

GENERAL CAUSES OF THE DEPRESSION OF 1929-34

THE recent depression appears to be a particularly virulent and obstinate manifestation of the business cycle falling on a world ill adapted for resistance because it was disorganized politically and economically in the international sphere, and because there were serious instabilities in the national units. It is impossible to determine how much of the unemployment described in the preceding chapters was due to the business cycle as such and how much to the conditions on which it was superimposed.

Dislocation in the Post-war Period. The violence of the depression may be explained to some extent by the profound dislocations in the political and economic structure of world economy originating during the War, and only partially solved when the crisis began. The earliest of these in point of time was the isolation of Russia, involving temporary withdrawal from European trade. The splitting up of Austria-Hungary and western Russia into a number of small States with mutual jealousies and suspicions, units which have tended for various reasons to seek a reduction in the exchange of goods with their neighbours, was a further cause of dislocation. The special difficulties of Austria have arisen directly from the cutting off of her natural markets by new customs frontiers. Vienna was a capital city organized as the financial and marketing centre of a large State, and found herself stranded as the centre of a small, mainly agricultural country. Her case is the most flagrant, but there are many other instances of the division of natural markets, Lorraine from Westphalia, Poland and the Baltic States from Russia, Polish Silesia from Germany, Hungary from her wheat markets, and so on. The adjustments in all these cases brought prolonged difficulties ; but they had to some extent been effected before the crisis.

The disturbances arising out of the War and the Peace Settlement led to an unprecedented disturbance of the monetary system, which made international payment of all kinds exceedingly difficult. The existence of war debts and reparations demanded exports of goods on a large scale from the countries paying them, or imports of capital which could only postpone the day when payments must be made in

goods. The history of the controversies arising out of the attempts to meet these claims and to implement these transfers shows what violent dislocations they have caused in the channels of trade. The payments were made all the more difficult by the fact that the United States, now for the first time a great creditor nation, strengthened her tariff policy, although payment in fact required a relaxation of that policy. Moreover, the existence of these large obligations made the whole machinery of exchange more precarious and more liable to be put out of gear by any relatively small disturbance.

The confusion after the War, augmented by this vast international indebtedness and the attempts to meet it, produced wild variations in currency values. The inflation crisis in its worst forms was over in 1924, but stabilization was by no means perfect. Some currencies were valued too high, and some too low. Defence of national currencies necessitated various restrictive measures, varying from complete control of export and import as in Russia, where the currency question was most urgent, downwards. The gold available for monetary reserves was very ill distributed between the different countries needing it. The United States and France, normally holding heavy stocks of gold, were potentially heavy importers; the case was reversed in Great Britain and Germany. Partly from necessity, partly upon authoritative international advice, many of the smaller States of Europe held a considerable portion of their reserves in the form of *Devisen* (i.e. foreign exchange assets), rather than gold, a process which piled still higher the inverted pyramid of credits resting upon the limited gold base. The maldistribution of gold might not in itself have been fatal had there been any tendency towards a rectification of it; the danger lay in the fact that from 1926 to 1929 the trend, sometimes interrupted but never long reversed, was for gold to flow abundantly into Paris and New York and away from the centres which needed it most. Countries which had undergone severe inflation, like Germany and Poland, had to import capital, with consequent effects on their balance of trade, and a pressing necessity to maintain exports at all costs. In all the countries which had suffered inflation there was a substantial redistribution of wealth, and in all countries heavy taxation had affected the structure of incomes. The middle classes especially were impoverished and the character of internal demand fundamentally changed.¹ The effect

¹ The War has completely altered the structure of income in the different countries; it has greatly diminished the strength of revenue of what one might call the 'rentier' class. This means that the purchasing power of people who do not produce goods has been reduced. (Professor Moritz Bonn, in a Note to the Study Group.)

upon consumption has been considerable, and perhaps too little importance has been given to it.

Changed Distribution of Industry. A further change in the international structure appears to be more permanent in character. It is the intensified industrialization and increased industrial capacity developed by the belligerent countries to meet war requirements, and the tendency to industrialization of newer overseas countries and of important eastern States. This was necessary in the first instance during the War to meet the temporary stoppage of manufactured goods from Europe. The process of industrialization in the less developed States did not cease with the conditions it was designed to meet, and is now developing to an increasing extent because of the 'self-sufficiency' agricultural policies adopted by European States, and the consequent restriction of outlets for the produce of agricultural exporting countries. The net result is an enormously increased total of industrial capacity. The classic exchange of European manufactures for the raw materials and food products of relatively undeveloped countries was bound probably to decrease, but the process is continuing at a pace which threatens countries mainly dependent on the export of food-supplies with disaster, and compels them to readjust their economy in the direction of producing manufactured goods formerly imported.¹ There has been a marked change in the distribution of particular industries, a change which involves, for instance, the possible necessity of a substantial reduction in the number of workers attached to certain export trades. Certain countries in Europe and Asia which are predominantly agricultural, such as Russia, India, and China, are now turning towards industry. Not only is there this change in the international location of industry, but there have been rapid changes everywhere in demand, away from the older staple commodities towards newer industries. The change-over everywhere means painful readjustments and some displacement of labour. The main difficulty is that the capacity of industry has been enormously increased and the means of communication extended and improved at a time when innumerable restrictions are placed on trade. The existence of a large proportion of unused capacity, and uncertainty

¹ Possibly this change may have some connexion with the growing disparity in the post-war years between the prices of manufactured goods and the products of agriculture. In any case the fall in agricultural prices (explainable to some extent by economies in production, especially by increased mechanization) was serious before the depression. The purchasing power of the pound of wheat in Russia, of the farmer's dollar in the United States, has been a first-class political problem. On the larger scale the exchange export value of Australian and Canadian wheat, of coffee, silk, sugar, and rubber, have created far-reaching disturbances.

as to when it may be brought into activity in another country, makes it difficult for industrialists in any country to forecast markets with any certainty.

Lack of Security. Perhaps the most important of all the elements of instability has been, and is, that the sense of international security is absent. The hopes built on the settlement reached at Lausanne on Reparations and on the Disarmament Conference of 1933 have been disappointed, and the nations of Europe form a series of armed camps. There is no foundation of political security on which to base a sound international economic structure.

Population Changes. Two other important changes in the structure of world economy are the rapid increase of mechanical means of production and the declining rate of increase of the 'white' population. The great increase of industrial productivity in the West in the last century was accompanied by great expansion of the home market due to a rapidly growing population. In our time the capacity and the efficiency per unit of labour or production increases rapidly in face of a Western population which in recent decades has shown a progressively increasing tendency to grow much less rapidly, i.e. in face of a domestic market tending to become relatively inelastic for many staple commodities.

Mechanization. Yet another change is the larger relative share of machinery in modern 'mechanized' industry. The fluctuation of the demand for producers' goods has long been recognized as an important indication of the course and severity of a trade recession. Entrepreneurs can to a considerable extent choose their time for investing in new equipment, and in so far as equipment nowadays is a larger factor in production the optional section of demand is greater. It follows that countries having a large trade in producers' goods—always at a disadvantage in a slump—are now worse placed than before; i.e. the larger part played by equipment in modern industry means heavier dislocation when the demand for it slackens down in the business cycle.

State Intervention in Industry. Another important change is that war and post-war conditions have led to the general acceptance of extensive State interference in economic matters; this change finds its completest expression in the Communist or the Fascist State. Intervention may be, and often is, directed to the stimulation of production and trade. On the other hand there is a tendency to the multiplication of State restrictions on production, trade, and the movements of money which add artificial complications to the altered basic conditions of demand, which are already sufficiently difficult

to deal with. These interferences tended to become more important throughout the post-war period, but the existing tangle of restrictions is to a large degree the outcome of the depression itself, and represents the efforts of individual States to maintain their economic existence.

Apart from these general political and economic tendencies in the post-war world, there have been special rigidities in the structure of industry, in marketing, and in the relations between capital and labour.

Industrial Fluctuations

It may be said that, since so large a part of unemployment in the past four years has been 'depression unemployment', and since some part of the depression is due to the existence of recurring fluctuations in business activity, no consideration of the causation of unemployment is satisfactory unless the causes of industrial fluctuations are exhaustively examined. But the questions involved reach into every department of economic life, and raise abstruse controversies which cannot be more than mentioned here.

Since the industrial revolution, and the organization of production on a scale requiring the raising of large fixed capital and a constant flow of credit to cover the producer between the date of purchase of the raw material and the sale of the finished product, there have been recurrent falls and rises in price, each cycle covering seven to ten years. There have also been movements over longer periods which appear to be due to more general causes. In addition there are the well-known seasonal variations in employment and prices explicable by the movement of the harvest, and the seasonal nature of certain trades.

Long-term Movements. Now the long-term movements of prices and employment seem to have been due in the past mainly to great changes in the methods of production, and to the growing importance of gold. The industrial revolution and the Napoleonic Wars were followed by such a long-term movement. After the inflation in Great Britain during the Napoleonic Wars, Great Britain maintained the gold standard from 1819 onwards. Though that standard was only gradually adopted and was not universal even at the end of the nineteenth century, British trade became so important and sterling so dominant in international trade that the course of British prices was bound to have a great effect internationally. The increase in production brought with it a trend towards falling prices which lasted to the middle of the century, when increasing supplies of gold assisted a recovery in price. There followed the great advance in communications

by land and sea and the development of great new areas, with a consequent world increase in production of raw materials, food, and industrial goods. Prices again fell from 1872 onwards, partly because the supply of gold failed to keep pace with increased production, and partly because of the rapid rate of increase of production itself with the opening up of new wheat- and stock-producing areas. It was in this period that Germany and a number of other countries adopted the gold standard, thus intensifying the demands on that metal. The extension of international trade, i.e. the extension of the principle of the division of labour and the general adoption of a single monetary standard, made nations more interdependent and more susceptible to crises arising outside their borders. Recovery in prices began about 1895, and prices, with some set-backs, increased until the outbreak of the World War, during a period in which increases in credit and the gold on which credit was based kept reasonable pace with the increase in production, again with set-backs from time to time. The variations in production are not new, but they seem to have taken more regular shape since the seventies.

The great advances in mechanical invention and science, the splitting up of economic units, and the rapid increase of production outside the European Continent since the War of 1914-18 have apparently caused another long-term movement of prices. Superimposed on these is the temporary expansion and contraction of credit.

Parallel Course of Prices and Employment. Since statistics of employment and unemployment have been lacking until recent years and are even now very incomplete, such indices as have been available to indicate prosperity and depression must serve for the past;¹ of these the prices index is practically the only one available. In more recent years, when indices of employment, prices, and industrial activity are available, the curves have all the same general shape. This is well illustrated by the diagram of various indices given by Sir William Beveridge to illustrate cyclical fluctuations in Great Britain from 1856 to 1907.² Diagrams illustrating the parallelism of price-fluctuations and fluctuations in employment for the principal countries for considerable periods are collected in *Unemployment Problems in 1931*,

¹ For fluctuations in wholesale prices (gold) in the period 1801-1930 for Germany, Great Britain, France, and the United States, following a strikingly similar course, see Wagemann (E.): *Struktur und Rhythmus der Weltwirtschaft* (1931, Berlin), p. 109; for a diagram showing the course of wholesale prices in Sweden, Germany, England, Austria-Hungary, Australia, and New Zealand from 1860 to 1913 see Ohlin (B.): *International and Interregional Trade* (1933, Cambridge, Mass.), p. 535.

² *Unemployment A Problem of Industry* (1931, London), p. 44.

published by the International Labour Office.¹ Employment is affected by so many circumstances that the close parallels which are found to exist between the movement of prices and the movement of employment cannot be interpreted as indicating that the fall in prices is the only cause of fluctuations in industrial activity. Nor can it even be decided off-hand which is cause and which is effect in the connexion between the two curves. Indeed Professors Pigou, MacGregor, and others have pointed out that when charts embodying these data are examined in detail we find that the turns in the unemployment curve usually *precede* the corresponding turns in the price curve.

'Unemployment turned down and prices up together in the same year in both curves in 1852, 1858, 1879, 1886 and 1908. In 1863, 1893 and 1903 employment began to improve before prices began to rise. In 1864 prices turned downward before employment fell off, and the same thing happened in 1881; but in 1853, 1872, 1890, 1899 and 1906 employment began to worsen while prices were still rising.'²

Since the War, conditions have been so confused and currencies so variable that it is difficult to assess the various elements in a rise or fall in prices. Even before the War there were many elements that were far from clear in the fluctuations of prices and of industry. Industries are interdependent—shipbuilding on the movement of goods, machine-tool making on the progress of industry, dye-making on the textile industries, and so on. Therefore any change in the estimation of demand in one trade affects another, and the effect on the making and closing of credits is cumulative. The impetus to rise or fall may start at various points. Bumper harvests in overseas exporting countries may start a fall in the price of wheat, and other commodities may tend to follow the same course. Or a banking crisis in Japan, such as occurred in 1920 owing to restriction of American credits, may start the wave of depression.

The Money Factor. But the credit cycle as a whole affects all countries in the end under modern conditions, and as money is the medium of exchange between the countries its behaviour obviously is of the greatest importance. In the period before 1913, when practically all countries had their currencies linked to gold, the reaction of gold prices and economic activity in every country was almost simultaneous. In the post-war years the reaction has been

¹ See also an earlier publication, International Labour Office. *Unemployment Some International Aspects, 1920-1928* (1929, Geneva).

² Pigou (A. C.): *Industrial Fluctuations* (2nd edition, 1929, London), p. 213.

differently timed in different countries, but it has been eventually spread to them all.

Since the changes in the level of prices which accompany industrial fluctuations must take place through the monetary system, the cause of fluctuations has frequently been sought in monetary policy. The monetary explanation is based on the 'instability of credit', industry and employment being directly affected by the credit question, since production from the buying of raw material through the various stages of semi-finished goods, finished goods, and sale is a long process which must be financed.

In a period of optimism, i.e. of rising prices, the creation of credit by the banks goes on in response to the demands of business until a point comes when their outstanding credits are nearing the limit permitted by the agreed ratio between cash reserves and credit. The restriction of credit starts the downward movement, reversed when existing stocks begin to be used up and profitable prices are again in prospect. This outline is the basis of the 'monetary' explanation of the cycle, the 'inherent instability of credit'.

Supporters of the monetary theory in its most absolute form argue that the fluctuations might be ironed out 'if credit policy were based on stabilisation of the price level (suitably interpreted) instead of on gold reserves'.¹

It has been suggested that by a suitable banking policy, adopted at an early stage in boom or depression and systematically pursued, these periodical crises could be materially mitigated, if not prevented. The Central Bank would increase its purchases of securities at the onset of depression, thus creating new money which would produce an increase in banking deposits and eventually in consumers' purchases. This presupposes that the resources thus provided will be used, that the new money will 'work'. Conversely, on the onset of a boom the Central Bank would sell securities and thus reduce credit facilities. The other weapon, besides these open market operations, available to Central Banks for the encouragement or discouragement of industrial activity is the lowering or raising of the bank-rate, making money cheaper or dearer.

It is generally agreed that a wise banking policy can restrict the magnitude of the upward and downward swing. The question is whether monetary action alone is sufficient to counteract or control the various non-monetary factors at work. The difficulties of a policy of this kind are shown in the success of the Federal Reserve Banks in keeping the price-level relatively stable in the United States

¹ Hawtrey (R. G.), in *Economic Journal*, Dec. 1929.

during the period 1925-8 and the failure of this effort to prevent the speculative investment boom of 1928 and 1929 by restricting credit facilities; and again by the inability of the Roosevelt administration to get money to work by relaxing the conditions governing the granting of credit. It may be and is argued, nevertheless, that the steps taken by the controllers of American policy in both cases were taken too late, or did not go far enough.¹

Others would argue that the artificial maintenance of the price-level in the United States was in itself a cause of the speculative boom of 1928-9.

The World Monetary and Economic Conference reached no general agreement on monetary policy and made no recommendations. But the Sub-Committee on Technical Monetary Problems reported to the Sub-Commission on Permanent Measures for the Re-establishment of an International Monetary Standard, arguing, among other recommendations, that Central Banks should endeavour to adapt their measures of credit regulation, as far as their domestic position permits, to 'any tendency towards an undue change in the state of general business activity':

'An expansion of general business activity of a kind which clearly cannot be permanently maintained, should lead Central Banks to introduce a bias towards credit restriction into the credit policy which they think fit to adopt, having regard to internal conditions in their own countries. On the other hand, an undue decline in general business activity in the world at large should lead them to introduce a bias towards relaxation.

'In pursuing such a policy the Central Banks will have done what is in their power to reduce fluctuations in business activity and thereby also undue fluctuations in the purchasing power of gold.'²

Movement in Individual Industries. It is not only the general movement in industry which requires to be watched, but the changes in individual industries within the general system.

'The mere fact, however, that industry as a whole moves up and down in waves tells us nothing about the way in which the waves are constituted. . . The swings of the different industries are not independent and inchoate. . . But the amplitude of the swings in different occupations is far from concordant. . . The industries (among those for which

¹ See Hawtrey (R. G.): *Trade Depression and the Way out* (1933, London), pp. 135 et seq. For some account of the difficulties with which the Federal Reserve Board had to contend, especially in connexion with conditions external to the United States, see *Monetary Policy and the Depression*, a report of a Study Group of members of the Royal Institute of International Affairs (1933, London), pp. 6-9.

Report of the Bureau to the Conference, July 26, 1933. Conf. M. E. 22, p. 14.

records are available) with the largest amplitude are shipbuilding, and engineering—constructional industries; other industries show much smaller amplitudes. Over the period 1860-1913 the average differences between the maximum unemployment figure and the succeeding minimum figure were: for engineering and shipbuilding 9.1 per cent., for building 4.1 per cent., for woodworking and furniture 3.7 per cent., and for printing and bookbinding 1.5 per cent.¹

Sir William Beveridge² notes that downward movements in the engineering, shipbuilding, and metal trades preceded movements in consumption trades in the bad years about 1868 and 1893-4 and in the good years about 1872 and 1890.

Changes in the Level of Investment. As economic progress continues and physical output increases, a greater amount of the community's income is set aside for further production—that is, invested in the purchase of machinery and plant, i.e. for the production of producers' goods. It is in these industries that depression is most serious and prolonged.

Much recent economic theory works with the idea that in prosperous times the banking system and the structure of industry cause the volume of resources which are set aside to be larger than the community really desires to save, that consequently capital goods are created which cannot be fully utilized, so that their prices fall, and conversely that during depression capital development is inadequate to balance the amount of monetary saving. Economists taking this view offer very divergent accounts of the mechanism by which this periodical over-investment occurs, and very different remedies for the consequent slump. The problem is to maintain expansion of output and accumulation of capital at a steady rate and to explain why in fact this steady upward process does not occur.

Varying Explanations. Though there is a measure of agreement on the importance of credit regulations through the banking system in preventing or mitigating crisis conditions, and on the maintenance of a proper relation between spending and investment, many economists maintain that undue interference with the price-mechanism tends to defer the remedying of maladjustments in the economic system by concealing the symptoms. They maintain that the price-system, if it is allowed to take its natural course, will remedy the disharmony in the relation between production and demand, and that undue emphasis on the maintenance of the price-level defeats its own object. They point to the effect of rigid wage-levels, of price-fixing and

¹ Pigou (A. C.): *Industrial Fluctuations*, p. 13.

² *Unemployment A Problem of Industry* (1931, London), p. 40.

restrictive agreements between producers, of laxity in budgetary policy, and the excess of capital development in certain industries, as main causes of the depression. They urge that permanent prosperity demands readjustment on all these matters.¹

The difference between economists is mainly on the degree of importance they attach to the observed conditions on the psychological, the monetary, and structural elements in industry and trade. At many points these three main groups of explanation of the depression are closely connected. Indeed the search for a single origin of depression or an uncomplicated causal chain is probably illusory. Many influences are at work, sometimes reinforcing and sometimes counteracting one another.

Degree of Agreement on Causes of Crisis. But in spite of all the differences of opinion with which the whole question is overlaid, three very significant conclusions emerge which will be accepted by many, if not all, economists in touch with recent thought on the subject.

✓ First, there is an inevitable acceleration in economic fluctuations. Losses breed losses and profits breed profits. Once an upward or downward movement in business activities has got under way it will gather force, other things being equal. In due course these 'other things' will change, but it will take time. It is important to note that this does *not* explain why an upward or downward movement should start. It merely suggests that, once it has started, it will continue and gather impetus for some time to come.

✓ Second, the basic consideration behind all fluctuations of business activity is irregularity in the demand for capital goods. The demand for machines and factories, houses and stocks of raw materials, is to a large extent an optional one. Investment is under the control of entrepreneurs who can choose between to-day and to-morrow, between this year and next. Consequently, if any event occurs which increases the demand for capital goods or reduces it, it will have far-reaching effects on the economic system, since it may throw out of employment large numbers of workers whose spending-power would thus be very considerably reduced. The demand for capital goods will be directly influenced by all the forces of change. Questions of banking policy, of confidence, of mistaken forecasting, of technical development, of changes in demand due to changes in population or in taste, are all relevant.

Credit comes into operation via the entrepreneur, who must guess

¹ For a full statement of the case see *Monetary Policy and the Depression* (cited above), pp. 39-44.

demand and lay his plans accordingly. In a period of rising prices he is disposed to be over-adventurous, since the money he borrowed in the first instance will be of less value in terms of commodities when he comes to repay it. Conversely in a period of falling prices he will reduce his commitments, since when the time comes to repay the credit he will be paying more than he borrowed. In a time of rising prices he cannot help, under normal conditions, making money; in a period of falling prices his losses may very well be in proportion to his commitments. At one moment there is over-optimism, at the next over-pessimism, resulting in over-production and under-production respectively.

There can be no one 'cause' or explanation of industrial fluctuations. We can go farther than that and say that, given the dependence of society on specialized technique, and given also the fact that society is alive and changing, warlike or peaceful, hopeful or afraid, constantly learning new devices and acquiring new tastes—we should on *a priori* grounds expect business activity to be irregular in character.

Fourth, whatever may be the ultimate cause of fluctuations or the causal connexion between the processes observed, certain reactions on employment may be foreseen. If, through a check to investment or for whatever reason, the rate of spending is braked, the immediate effect will be different in different industries. Manufacturing industries, unless driven by furious competition to a price-war, will usually curtail production and thus employment, rather than lower their prices. Primary industries, however, will 'take their medicine' in the form of a fall in prices, which may actually be accompanied by an increase of production in an attempt by producers to keep total incomes constant. It follows that when purchasing-power revives, the effects will correspondingly differ between industry and industry.

Mr. D. H. Robertson¹ has enumerated three considerations which differentiate the recent crisis from earlier examples:

'First, with a retarded rate of growth of population and of world-trade, instrument-gluts are liable to last longer than of old; the tail of one depression, so to speak, does not so easily get bitten off by the head of the next boom. Secondly, as a result partly of technical changes, partly of an increased sentiment in favour of the limitation of private profit derived from public utilities, the field of enterprise in which Government—in the broadest sense—is in any case naturally involved has broadened, so that

¹ 'The World Slump' in Pigou (A. C.) and Robertson (D. H.), *Economic Essays and Addresses*, pp. 124-5. (A memorandum submitted in April 1930 to the Macmillan Committee, and reprinted by permission of H.M.S.O.)

old arguments hinging on the demerits of so-called "relief works" have become largely out of date. Thirdly, a vigorous application of the process of rationalisation to private industry, while it may expand the demand for certain types of instruments, is almost certain, so far as I can see, to diminish temporarily the demand for labour as a whole.'

Professor Robbins stresses the variety of the forces at work:

'The genesis of the slump may be traced to the collapse of a general inflationary movement which might be regarded as a single cause. But the subsequent course of the slump has been so obviously affected by a multiplicity of influences that any attempt to bring them under one heading must necessarily involve over-simplification. Political accidents, deliberate policies, structural weaknesses, local psychology, have all played a part which cannot be ignored. Nor is it possible at this stage to assign exact quantitative importance to these influences. Who can diagnose with certainty the relative importance of the part played by political power and the part played by bad banking policy . . . in the causation of the German Banking Crisis? What weight are we to assign to the peculiar psychology of the American people, what weight to the mechanical difficulties of their debt structure, in explaining the collapse of last spring [1933]?'¹

It has only been found possible in the following pages to discuss some part of what we may call the background of unemployment, namely the changed international distribution of industry, the effect of restrictions on the movement of men and goods, the relation of population factors to the demand for labour and to the structure of demand for commodities, questions of mechanization and rationalization, and the wages question. The selection may appear to give undue weight to what may be called the structural view of depression, but it must not be supposed that the omission of a special section on banking policy means that the importance of the credit factor is under-estimated. It has already been discussed in another publication of the Royal Institute of International Affairs.²

¹ *The Great Depression* (1934, London), p. 56.

² *Monetary Policy and the Depression* (cited above).

CHAPTER II

RELATIVE SEVERITY OF DEPRESSION IN DIFFERENT COUNTRIES

1. *General*

BUT before considering some of the special questions raised at the end of the last chapter it seems desirable to consider why the depression hit one country more severely than another.

The general question of relative immunity or aggravation during the recent crisis appears to be explicable, in the light of the various points raised above, on grounds either of

- (a) the general structure of the economy of each national unit,
- (b) monetary and banking policies,
- (c) political factors,

or a combination of these, as in the case of tariff policies adopted for structural and political considerations.

In a world depression such as the last, with a general disorganization of the means of exchange, countries whose existence demands the maintenance of foreign trade are obviously more likely to suffer earlier than those which are relatively self-contained. England, which must import food, and Italy, which must import raw materials, must also export manufactured goods. There is the same necessity for Japan, in her case partly because of her large population on a restricted area. France, which is relatively self-contained, was one of the last countries to suffer acutely, and in the spring of 1935 was still showing no definite sign of recovery, but there are many other factors which help to account for her position: one may be the comparatively large number of small independent producers. On the other hand, the United States, in which export trade does not account for a large proportion of total output, suffered more severely perhaps than any country. Again silver-using countries present a special case. The full force of the depression was not felt in China until 1933, and the position has been severely aggravated by the drain of silver to America due to the silver policy of the Roosevelt administration. In this particular instance a disturbing influence of great magnitude arose from purely external influences outside the control of Chinese policy.

Agricultural exporting countries, which had been heavy borrowers, suffered severely from the break-down of international lending following on the attraction of capital to New York in 1928-9 and the

subsequent crash. They have been hard hit also by the increase of agricultural production in Europe fostered by Governments. It is possible that even if there had been no world slump they would have met with difficulties in external trade through the fall in the cost of production (and therefore in prices) of primary products the demand for which was inelastic. Yet they must maintain their exports or change the whole nature of their economy, a change-over which cannot be accomplished from one year to the next, not easily from one decade to the next. Even if the change-over to industrialization be possible, the new troubles may be at least as great as their present difficulties.

2. *Agricultural Exporting Countries*

Australia. The Australian situation has certain features common to new countries—a relatively small population, heavy indebtedness, and reliance on the export of a few staple products, mainly wheat and wool, in both of which the price-fall was heavy. Australia exports nearly a third of the goods she produces. During the period 1923–9 the average price obtained for her wool was 19*d.* a lb. and for her wheat 5*s.* 7*d.* per bushel. Both her wool and her wheat sold in 1931 for about half these prices. A variation of 1*d.* per lb. in the price of wool means a difference of over three millions sterling in Australia's credit account, and the fall between 1927–8 and 1929–30 represented a loss of nearly 30 millions sterling in the Australian balance of payments.¹

The external obligations of the Federal Government and the States amount to about £600 millions, nearly half of the total debt, and must be met mainly from the proceeds of her wheat and wool. Australia was driven off gold in 1929, and the premium on sterling exceeded 30 per cent. in 1931. The depreciation of sterling in 1931 made payment in terms of wheat and wool somewhat easier, but real relief was delayed until drastic measures of financial reorganization had been adopted and until the partial revival of wool prices in 1933–4, and the prospect of some revival of wheat prices in the latter year. Nevertheless unemployment among trade-union members was 20·4 per cent. in August 1934.

There was considerable unemployment before the crisis (an average of 10·8 per cent. among trade unionists in 1928), and a large part of the money borrowed abroad between 1924 and 1928 was devoted to public works and development employing many unskilled workers.

¹ *World Agriculture* (1933, London). A report by a Study Group of members of the Royal Institute of International Affairs, p. 110.

Dr. F. C. Benham (see his paper contributed to the World Social Congress at Amsterdam in 1931, p. 32) estimated that at that time about one-fifth of all Australian wage- and salary-earners were employed by the Government.

It is often claimed that the difficult circumstances in Australia appear to have been aggravated more than elsewhere by an excessive rigidity in the earlier stages of the depression of legally fixed wages. Wage-cuts, however, were made in Commonwealth awards amounting to 30 per cent. in *nominal* wages between 1926 and 1933. State courts in New South Wales and South Australia and Wages Boards in Victoria and Tasmania tended to follow the same course.¹ The following figures illustrate the position with regard to real wages:

TABLE XXXVI

Real Wages and Unemployment in Australia

(Indices: 1911 = 1,000)

	<i>Percentage unemployed based on membership of trade unions*</i>	<i>Real wages, allowing for unemployment</i>	<i>Real wages, full work, adult males</i>	<i>Estimated relative productivity per head of pop.</i>
1921	11.2	1,002	1,076	175
1925	8.8	1,034	1,081	188
1928	10.8	1,044	1,115	176
1929	11.1	1,009	1,082	172
1930	19.3	976	1,152	148
1931	27.4	903	1,185	120
1932	29.0	870	1,168	114†

* 409,902 at end of 1932.

† Productivity measured in retail purchasing-power was much lower, only 76 in 1930-1. The figures per person employed are considerably higher, 160 for value and 112 in purchasing-power in 1931-2. (Australian Commonwealth Year Book, 1933, pp. 724, 858.)

Canada. In Canada the repercussions of the 1929 crisis in New York were more direct than elsewhere because of her close financial and commercial relations with the United States. In her case also the fall in the price of wheat (from 140 $\frac{3}{4}$ cents at Winnipeg in January 1928 to 45 $\frac{3}{8}$ on January 1, 1933), which had been the leading export for twenty years before the slump, was a primary cause of depression. The situation at the beginning of the slump was complicated by the existence in October 1929 of stocks of 114 million bushels, about half

¹ For a discussion of the operation of legally fixed wages see *The Round Table*, Sept. 1933, pp. 888-92.

of which were held by the Canadian Wheat Pools.¹ Canada has developed many other natural resources, but the structure of her economy is based mainly on the production of wheat, lumber and its derivatives, pulp and paper, and minerals. These staples are subject to heavy price-variations. At the same time the opening up of her vast territory has meant heavy expenditure on transport facilities and public works, the interest on which has to be met,² and current charges for transport have shown considerable rigidity. Fluctuating prices for staple products and heavy fixed charges have made the slump especially difficult for Canada, and the result is seen in the fall in the social income from about 6 billion dollars in 1929 to 3 billion dollars in 1933. The burdens of rigid costs fall unevenly on different classes and industries, and, since the major industries exist in specialized areas, there are serious regional inequalities.³

3. *The United States*

Mechanization. In the United States the pace of technological advance after the War was probably far more rapid than in any other industrial country. This rapidity of change in industry and the high-wage policy, based on the desirability of maintaining and extending internal purchasing-power, have often been described as important contributory causes to the depression. Some arguments tending to show that the importance of these factors may have been exaggerated may be adduced.⁴ There is no doubt that rapid changes in the nature of demand and consequent rapid shifts in the distribution of agricultural and industrial activity and within industry itself caused a certain amount of instability and additional risk.⁵

Finance. The main cause of disturbance appears to have lain in the financial situation. America emerged from the War a creditor nation for the first time—and that on a grand scale. At the same time her tariff policy hindered payment by her debtors in the form of commodities. During the period 1924–9 the gold influx and (until

¹ For the difficulties attending liquidation see *World Agriculture* (cited above), p. 233.

² The funded debt of Canada in 1914, before the large additions incurred during and after the War, was 303½ million dollars. This debt was incurred almost entirely for public works of general utility, largely for rail and water transport. (*Canada Year Book* (1933, Ottawa), p. 841.)

³ Taylor (K. W.), *The Canadian Economy and its Problems* (Canadian Institute of International Affairs, 1934, Toronto), p. 181.

⁴ See Part ii, Chapters VIII and X, for the possible effects of the rise in wages during the boom period and their maintenance during the depression in certain countries, and of the displacement due to mechanization.

⁵ See pp. 78–9, above.

the present slump) the improvement in the banking system served to augment the supply of available credit. Foreign lending was large, but not large enough to restrict supplies of credit at home; on the contrary it provided fresh collateral in the form of bonds and export bills. The Federal Reserve system eased credits in June 1927–July 1928, and it has been stated that no less than 86 per cent. of the total increase in bank credit in this period was used to finance speculation.¹ After that attempts were made to restrict credit for that purpose, with the result that capital was attracted to New York from abroad. The increased velocity of credit was an important factor in the situation. Credit transactions increased by over 60 per cent. from the beginning of 1926 to the peak in October 1929, while the net deposits of the banks which were members of the Federal Reserve system did not increase more than 6 per cent.² The expansion of credit was greater than the actual growth of industry. Indeed, according to the evidence of building-contracts, the capital construction business reached its peak as early as June 1928. Industrial production as a whole continued to expand for another twelve months. A great speculative market in industrial and financial securities and in real estate developed.³ The annual average of the indices of prices of industrial shares in these years shows the violence of the movement

TABLE XXXVII

*Index Numbers of Stock Exchange Security Prices (Industrial Shares)
in the United States*

(1926 = 100.)

1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
88	100	118	154	189*	141	87	46	66	81

* In September the index stood at 216.

Many new issues were financed by means of bank advances upon industrial securities as collateral. When the whole precarious edifice

¹ Ohlin (B.), *Course and Phases of the World Depression* (League of Nations, 1921, Geneva), p. 127.

² The Federal Reserve Bulletin for January 1933 (p. 5) gives a chart showing that from the beginning of 1923 to the summer of 1925 bank deposits were increasing more rapidly than the rate of turnover of accounts, which fluctuated between 26 and 32 times a year. By 1929 turnover increased to a rate of 45 times a year. In 1930 it fell to the level of 1923–5 and by the last quarter of 1932 had fallen to 16 per year. In New York City the changes in velocity of turnover were less marked than in the country at large, but followed a similar course. (League of Nations, *World Economic Survey, 1932–1933* (1933, Geneva), p. 130.)

³ See Simpson (Herbert D.), 'Real Estate Speculation and the Depression', in *American Economic Review* Supplement, March 1933.

collapsed in the autumn of 1929 the inflated prices of securities fell heavily. Bank failures were widespread and hoarding developed on a large scale, partly because of the sense of insecurity, and partly because local banks were closed and there was no alternative. But some part of the over-capitalization which had been achieved—consolidations, mergers, the formation of holding companies and other devices—remained, and still had to be liquidated. The net income of business corporations fell from nearly 8 thousand million dollars in 1929 to a negative balance of nearly 5 thousand million dollars in 1932. The amounts paid in dividends did not fall in the same proportion, in spite of the heavy aggregate losses.¹

Maintenance of Prices. The opinion is widely held that a further cause aggravating the *débâcle* in New York was the policy followed by the Federal Reserve Board of seeking to maintain a steady price-level when the efficiency of industrial production was growing rapidly, instead of permitting the natural fall in prices. In this way excessive industrial investment was encouraged.² In 1928–9 the Federal Reserve system could not prevent the speculative boom, nor control credit by restricting the amounts issued. A second cause of instability was the growing distress of agriculture before the slump in industry. In the same post-war period in which millionaire incomes increased tenfold, one-fourth of American farm-owners lost their land by mortgage foreclosures. 'The appalling disparity between industrial income and rural income' is noted by Professor Allan Nevins³ as a major cause of disturbance. Still another cause was, he alleges, the failure to institute effective control over 'wayward and predatory elements in business and finance'. Some observers find another cause of instability in the inordinate development of sales on the instalment system, indicating that production for the home market had anticipated future demand in the interest of present production. Nevertheless, instalment credits were met on the whole with surprising success during the depression. Purchasers apparently preferred to go short of food rather than sacrifice their purchases, and with them the payments they had already made. But the instalment payments

¹ See National Bureau of Economic Research Bulletins Nos. 49 and 50, cited in International Labour Office, *Social and Economic Reconstruction in the United States*, Studies and Reports Series B, No. 20 (1934, Geneva), p. 15, which contains a wealth of information on slump conditions.

² The effect was to induce the tremendous inflation of those years, and the moral is that when there is a general rise in productivity the price-level should be allowed to fall correspondingly. If measures are taken to keep the price-level stable, excessive capital investment and misdirected production will result. (Mr. Brinley Thomas, in a note to the Study Group.)

³ In a lecture at University College, London, Nov. 23, 1934.

effectively prevented new spending, and in this way helped to prolong the depression.

The Investment Crisis. The investment crisis was most pronounced in the United States, but it was severe in other countries. The indices of the prices of industrial shares in these years in some important countries show that the tendency towards inflated values, the subsequent deflation during the slump, and the evidence of recovery in 1933 and 1934 were not confined to the United States.

TABLE XXXVIII

Indices of the Value of Industrial Shares

<i>Year</i>	<i>Canada</i> (1926 = 100)	<i>Germany</i> (1924-6 = 100)	<i>France</i> (1913 = 100)	<i>United</i> <i>Kingdom</i> (1924 = 100)	<i>Switzerland</i> (Nominal = 100)
1925	76	93	205	109	138
1926	100	106	227	115	167
1927	132	154	275	124	201
1928	186	142	415	142	247
1929	267	126	525	139	236
1930	172	101	444	112	215
1931	98	76	305	87	166
1932	63	51	247	84	124
1933	94	65	235	103	150
1934	124	76	186	125	155

4. *The German Crisis*

Political Uncertainty. Situated in the centre of Europe, Germany was bound to suffer in her industry and trade from the obstacles erected against international exchange in Europe after the War, from the multiplication of frontiers, and the nationalist policies pursued by the new States. These changes were particularly important in her case because of the preponderant importance of European trade in her total trade. Apart from the general economic disturbance of the post-war years the German situation was affected by heavy losses of industrial territory under the Treaty of Versailles, including the severance of the Saar and Lorraine interests from Westphalian interests, the loss of the cotton-spinning industry of Alsace, and the division effected in Silesia. During the inflation the distribution of wealth in the community was radically altered. The unearned income of the middle classes was wiped out. They formed a new impoverished class with a greatly lessened demand for commodities.

The long uncertainty, political and economic, in German conditions, and the delay in determining the scope of reparations, all hindered the process of recovery. Reparations obligations could only be met in two ways: either by a steady excess of exports over imports or by loans from abroad. The policy of foreign borrowing which helped to accentuate the crisis was therefore forced upon her. Recovery of general confidence was slow, and was succeeded by a period of undue optimism.

Foreign Credits. Considerable sums derived from these loans were spent in the rationalization and re-equipment of German industry, undertaken with a view to increasing output per unit of expenditure and encouraged by the Government because of the necessity of large exports to meet foreign obligations. In the process there were many examples of what the Germans call *Fehlinvestition*, the erection of plant and equipment based on faulty calculations and mistaken business forecasts. It has been officially admitted¹ that the German credit system was deficient in some respects: it lacked legal or customary rules by which the volume of bank credit might be effectively regulated,² the Reichsbank had not the power to regulate the investment market by buying and selling long-term obligations, and the system (also the predilections of the investor) favoured short-term and easily liquidable securities. With a view to remedying the defects of the system new laws on banking and credit were promulgated in 1934. The situation would have been dangerous enough if the new

¹ Institut für Konjunkturforschung, *Weekly Report* (Berlin), Dec. 1934.

² 'The problem of debt is really the essential problem. In many cases the unwise giving and taking of credit during the boom or expected boom is the main cause of depression. Where farmers, or industrialists, have no debts, they can weather the storm, and adjust costs to demand. In a country like the United Kingdom, where credit is carefully taken, the fatal role which bad management of credit has played in Germany and the United States is often not sufficiently appreciated. It is not really a banking problem, though it comes out most strongly in the banking crisis. It is the wrong attitude of the farmer and industrialist, who are taught to capitalize anticipations of future profits and mortgage part of them. The more highly capitalized and the more concentrated industries and plants are, the more liable they are to commit such mistakes. Rationalization in Germany was carried out by foreign credits. It led to a boom which was not due to the results of rationalization but to the *inflow* of foreign money spent on rationalization. The real problem in avoiding future crises is not how to make credit cheap and how to direct credit into industries which desire it, but how to prevent credit from going to farms and industrial enterprises which ought not to have it. As there has been comparatively little abuse of credit in Great Britain, the ludicrous optimism of the German and American business man during the days of prosperity does not seem to me sufficiently appreciated. It seems to me an essential point to avoid difficulties in the future.' (Prof. Moritz Bonn, in a note to the Study Group.)

investment had been solely derived from domestic savings; it was rendered more dangerous by the large foreign loans involved, especially in 1927 and 1928.

The movement of capital in and out of the country showed in 1927 a net influx equivalent to 1,057 million gold dollars, in 1931 there was a net outflow equivalent to 506 million gold dollars, and in 1932 of 100 millions.¹

Capital Issues. Acute shortage of capital began when money was attracted to New York in the winter of 1928-9. The figures of new capital issues for these years and the decrease after the American collapse in 1929 tell their own tale of the boom and the subsequent depression in the capital market.

TABLE XXXIX
Germany. Issues of Capital
(In millions of RM)

	<i>Issue values of stock (excluding limited liability companies)</i>	<i>Bonds (public bodies, public and private undertakings, land and mortgage banks)</i>
1924	148	440
1925	656	1,080
1926	988	3,579
1927	1,438	2,841
1928	1,339	2,905
1929	979	1,685
1930	555	2,926
1931	635	1,338
1932	150	822

Source. League of Nations, *Statistical Year Book, 1933-34* (1934, Geneva), p. 226.

Rationalization. The effect of rationalization on employment before the slump was a much more pressing question in Germany than in Great Britain or in France. The increase of production in the period 1924-9 was accomplished without a corresponding increase in the persons employed in agriculture and industry in the narrower sense (including mining but excluding building), in spite of the increase in salaried employees. On the other hand, subsidized house-building created much employment in that industry and its ancillary industries; and the increase in exports in certain important trades kept up employment. The output of production-goods reached its highest point in the beginning of 1929 after a setback in the winter and from that time declined rapidly and continuously until 1932. This meant

¹ League of Nations, *Statistical Year Book, 1933-4* (1934), p. 197. See also Institut für Konjunkturforschung, *Weekly Report* (Berlin), June 27, 1934.

heavy unemployment in engineering and building. Although the fall in the production of consumers' goods was slower, it was serious, because the home market contracted as a result of new heavy duties and, in the case of certain countries taking quantities of German goods, the abandonment of the gold standard increased the prices of German imports in the depreciated currency.

TABLE XL

*A Basis for Estimating Germany's Post-war Industrial Development*¹

<i>Conditions</i>	<i>Pre-war</i>	<i>Post-war (up to 1929)</i>
Degree of concentration.	Rapidly rising	Rapidly rising
Technical equipment .	Improved	Improved
Working capacity .	Increasing	Increasing
Increase of population .	1.5 per cent. per annum	0.6 per cent. per annum
Degree of capitalization of home market	Industrial production increases rapidly	Industrial production increases rapidly, likewise, but has barely passed the pre-war mark
	Industrial production increases more rapidly than national income	Industrial production increases only at the same pace as national income
	Goods traffic increases far more rapidly than production	Industrial production reaches pre-war level in passing, but goods traffic remains at the same point as in 1913
Specially favoured trades	Industrial production of special articles	Services, commerce, communications
Specially favoured occupations .	Industrial workers	Officials
Provision of capital .	Balance of interest active, export of capital	Balance of interest passive, import of capital
Degree of saving .	1913, 17 per cent. of national income saved	Reparations 1926, about 10 per cent. of national income saved
Foreign markets .	Exports rapidly rising (about 5.8 per cent. per annum)	Volume of exports has not yet reached pre-war standard

With the general contraction in world trade following on the world crisis of 1929 the high figure of German export necessary to pay the interest on foreign loans and to pay for the raw and semi-finished materials of the industries financed by that capital could not be maintained. Exports in 1932 were less than half what they

¹ *Die Industriegewirtschaft*, Sonderheft 31 of the Vierteljahrshefte of the Institut für Konjunkturforschung (1933, Berlin).

were in 1929. The various efforts made to meet the internal situation are related in the last section of this book. The stoppage of certain external payments belongs to general history.

Disequilibrium between Prices, Wages, and Employment. The principal immediate cause of the German crisis must be sought in the sudden enormous contraction of capital (the calling-in of existing loans and the cessation of new lending), but there existed other serious elements of instability in the situation. There was marked disequilibrium between production, prices, wages, and employment. The wage-level, interest rates, taxation, and other factors in costs were rising when prices and exports had begun to fall. The result was 'an increasing percentage of costs or, expressed differently, diminishing profits, and losses which ultimately led to extreme shrinkage of production'.¹

Germany's position in 1929 as compared with the years before the War is set out in Table XL, p. 127.

5. France

Reasons for Crisis Resistance. The lateness of the impact of depression in France is explicable on several grounds. The proportion of the population liable to dire distress arising from lack of work is much less in a country with a large peasant population, where many industrial workers still have close connexions with their peasant families. There is a larger proportion of men and women working on their own account or in small family businesses than in England or Germany. Peasant owners, artisans, and 'small' masters altogether account for about three million of the occupied population.² Except in certain occupations, such as railway work, trade-union organization is not very strong, and does not maintain wages at an unduly high level.³ Lastly, French export markets are largely in Europe or in French colonies (where they have a privileged position);⁴ French indus-

¹ Dr M. J. Elsas, in a note to the Study Group.

² Jeramec (P.), 'La Production Industrielle', in *Revue d'économie politique*, May-June 1932. The total occupied population is over 21 million.

³ M. Harmel (Confédération générale du Travail) writes, however (in a note to the Study Group): 'It is very difficult to convince foreigners that the capacity for action of the French workers' organizations does not make itself felt in the same way as that of foreign organizations; but it is a fact that it is much stronger than the mere numbers of workers so organized indicates. In any case, the maintenance of wages during the depression has been relatively assured in the face of considerable difficulties. (Vide *World Economic Survey*, 1933-4.) The workmen's organizations maintain that this defence has also helped to mitigate the effects of the crisis.'

⁴ In 1913 imports from French colonies accounted for 11.1 and in 1933 for 23.7 per cent. of the total; the proportion of total French exports sent to the

tries are not therefore seriously affected by Far Eastern competition operating in Eastern markets. Export trade has not the same relative importance as in industrial England or agricultural Denmark. Agricultural production, except vine-cultivation and in some districts market gardening, is mainly for home production, and a large part of industrial production is for the home market.

Causes of Disequilibrium. As the depression developed, French luxury exports, which form a very important part of the export trade, began to suffer. Exports generally also suffered by the curtailment of the important British market after the depreciation of sterling and the adoption of a tariff. The set-back in 1932 affected the exporting trades—textiles, the metal trades, chemicals—far more than those supplying home requirements. The trades working largely for export as well as for home consumption employ about 4 million workers; the building, food, and printing trades about 1,700,000 workers; transport, credit, and commerce are all concerned largely with export trade.¹ The great increase in industrial capacity in France due to the incorporation of Alsace-Lorraine and to the immense reconstruction after the War resulted in 'a complete disproportion between national production capacity and national consumption',² and has therefore increased the importance of her reliance on her export trade. The surplus is estimated at about 40 per cent. of iron and steel (as against 10 per cent. before the War) and 50 per cent. of silk and woollen goods. Therefore, in spite of a large degree of self-sufficiency, France is by no means independent of world conditions for the maintenance of her labour force. The low figures of French unemployment are partly explicable by the possibility of regulating the labour market by the elimination of foreign workers.

6. Italy

Causes of Poverty. In Italy³ there was a minor crisis in 1927-8, arising principally from the repercussions of the stabilization of the lira at a legal parity higher than the actual parity of the years immediately preceding. Industry had gradually adapted itself to the

colonies rose from 12.8 to 32.4 per cent. of the total. In 1931 France purchased 66 per cent. of the total exports from French colonies.

¹ Jeramec, loc cit, p. 783.

² Total exports to Great Britain fell from 6.8 milliard francs in 1930 to 1.7 milliard francs in 1932. Cahill (Sir R.), *Economic Conditions in France* (1934, London, H.M.S.O.), p. 536.

³ For the employment situation in Italy from 1921 onwards see Oblati (A.), 'The Campaign against Unemployment in Italy', in *International Labour Review*, May 1930, and Campese (E.), *I Caratteri del Disoccupazione in Italia* (1928, Rome), and other works.

new parity when the depression began, and the labour situation was improved by the establishment of a system of employment exchanges in 1929. Nevertheless there was an average of over 300,000 persons unemployed in 1929. The problem of seasonal unemployment, always serious in Italy, was still unsolved. The technical organization of industry was in process of transformation. The Fascist Government had from 1924 onwards spent large sums on public works, mainly with the intention of increasing future possibilities of employment, but partly for the absorption of existing unemployment. The population was increasing rapidly, emigration had been checked, and the pressure on a relatively poor country was considerable. Thus Italy faced the onset of depression with the certainty of heavy charges on her budget, with great reductions in one item of her 'invisible' imports—remittances from prosperous Italian emigrants to their homes—with the necessity of maintaining exports in a period of falling trade, and hampered by an over-valued exchange. On the other hand, the character of the Fascist régime made economies in production of various kinds, wage-cuts, rationalization, &c., easier of execution, and great improvements had been secured in industry and in agricultural production.

The Financial Position. But the decisive factor was undoubtedly the financial position coupled with the paucity of raw materials which makes export trade essential. By 1932 over a million persons out of a wage-earning population of 7 millions (5 millions in industry, 2 millions in agriculture) were unemployed. The prospects of recovery were hindered by the conflicting policies adopted by the Government: on the one hand, vast expenditure on public works, and on the other, the financial policy adopted for the defence of the lira. In 1934 the breaches in the defence of the lira were so serious that strong restrictions were placed on the exchange, making trade recovery even more difficult. Nevertheless employment showed an improvement, due mainly to the great efforts made for the reorganization of the labour market described on another page.

7. Japan

Poverty of Natural Resources. In Japan¹ unemployment was at no period high, though her economy was hard hit by the depression,

¹ For the Japanese economic position see Ti Shidachi, *The Depression of 1930 as it affected Japan*, paper contributed to the Institute of Pacific Relations, 1931; Maurette (F.), *Social Aspects of Industrial Development in Japan* (International Labour Office, 1934, Geneva); Hodson (H. V.), in *Survey of International Affairs for 1933* (1934, London); *Ministry of Labour Gazette*, May 1935, which contains a summary of more recent official information.

especially by the fall in silver in silver-using countries taking a large proportion of her exports, and by the fall in silk prices due to American conditions, the United States being the main market for her raw silk. Great efforts had been made over a period of years to place the industry on an intensive basis, and poverty among the producers became extreme. Japanese conditions demand the maintenance of export. The fundamental considerations in the Japanese economy are the poverty of the country in natural resources, involving the necessity of importing large quantities of raw materials; the relative over-population, which cannot be relieved substantially by emigration; the small area of cultivable land, the smallest area per head of population in any civilized country.

Conditions of Employment. The absence of high unemployment is explicable on various grounds. In the first place the composition of the labour force is different from that in Western countries. Mill labour is recruited largely from girls from rural districts who retire on marriage; and many small businesses are carried on by labour which shares the conditions, often very poor by Western standards, of the employer and his family. As in India many workers, on losing their jobs, simply return to their villages. The standard of living is a simple one and money wages relatively low. In the second place Japanese large-scale industry has been technically perfected and highly organized, and has perhaps the best selling organization in the world. Thirdly, a large part in the maintenance of her export trade must be attributed to the devaluation of the yen, but the currency factor must not be regarded as the only explanation of the advance of Japan in world markets.

Silk Prices. While industrialists in Japan have been very active since the imposition of the gold embargo in December 1931, the farming communities continued to suffer from severe depression. The causes of this depression are deep and of long standing: the farmers' debts, which are estimated at 6,000 million yen, or nearly 1,000 yen per farming family, and heavy taxation are said to be among the principal factors. In 1934 the position became worse, owing to the sharp fall in the price of cocoons and the deficiency of the rice-crop, caused by severe weather-conditions and typhoon damages in the central area. The total income of silk-farmers was reduced from 500 million yen in 1933 to 190 million yen in 1934, a fall of over 60 per cent. The fall of raw-silk prices was due to the reduced demand for raw silk following on the depression and partly to the competition of artificial silk in the United States. The yield of rice fell in 1934. The higher price obtained under statutory price-control led to

unexpected difficulties for the small farmers, who were obliged to sell their rice as soon as the crops were harvested because they could not afford to store it, and had to buy it later at a higher price for their own consumption ¹

8. Conclusion

The different character of the depression in various countries might be further developed, but the preceding pages serve to show how important local conditions were in determining its severity.

It may fairly be said that in the United States and in Germany financial and banking policies were very important factors in aggravating the force of the business cycle, and that international indebtedness from the creditor and debtor points of view was also of primary importance. In Great Britain the preliminary conditions making for susceptibility to world depression were, principally, her large measure of dependence on world trade; and the pre-depression weakness of certain industries, which had undergone great expansion for war purposes and had now to dispose of an increased production at a time when there was greatly increased competition due to the expansion of the same industries elsewhere. It may also be argued that the pound sterling was over-valued. In the countries depending largely on the export of agricultural produce—South America, the British Dominions, the Dutch East Indies, and south-eastern (agrarian) Europe—the difficulties were preparing before the slump, as is shown by the fall in agricultural prices between 1925 and 1929. They were aggravated by the various restrictions on imports in industrial countries, measures due largely to the difficulties of the depression. In central Europe political insecurity played a large part; in Italy and Japan problems in the relation between internal resources and population. All countries suffered from the disorganization of the currencies.

The explanation of the slowness of the gold-standard countries in recovering, indeed the intensification of unemployment in these countries, referred to in the last chapter, is still the subject of acute controversy.² Mr. H. B. Butler, in his Report in 1935,³ deals at some length with the recovery achieved by countries adopting an expansionist policy, and illustrates his contention by contrasting diagrams of the course of production in (a) the countries remaining on gold, and (b) the countries off gold.

¹ *Industrial and Labour Information*, Dec. 24–31, 1934 (Geneva), pp. 395–6.

² See articles in *The Economist* by Sir Henry Strakosch on Jan. 5, 1935, and by a defender of the point of view of the gold bloc on Jan. 19, also an article on Feb. 16 dealing with the relation between wholesale prices and the cost of living.

³ International Labour Office: *Report of the Director*, 1935, pp. 15–22.

SECTION II

CHANGES IN THE ECONOMIC STRUCTURE

CHAPTER III

INTERNATIONAL STRUCTURE OF INDUSTRY

1. *War and Post-war Changes*

IN 1929 the International Labour Organization published an inquiry into some of the international aspects of unemployment,¹ in which the international organization of certain industries was examined and a comparison made with the pre-war position. There have been other reports and inquiries bearing on the same question by the Economic Organization of the League of Nations, by public and private bodies, and by the individual industries concerned. For the general changes in the international distribution of industry certain indices are available.² They cannot in the nature of things be very exact, but they do show the trend of the changes in the location of industrial production which have taken and are taking place, and the consequent changes in trade.

It is very difficult to secure reliable measurement of industrial resources and capacity, and, in the absence of that knowledge, it is hard for any national industry to estimate satisfactorily what the maximum desirable output for them in any future period is to be. Industrialists cannot forecast demand if there is to be a sudden outburst of activity elsewhere. In fact, such outbursts do not as a rule take place without some preliminary warning, and can be discounted in a short-term policy, but for a long-term policy for any individual national industry much more knowledge than is available is required.

Changes during the War. During the War industrial production in European belligerent countries declined by 37 per cent., neutral countries maintained their normal level of production, and countries outside Europe increased their production by 14 per cent.

These figures indicate a shift during the War of the balance of industrial production in favour of non-European countries. War

¹ International Labour Office: *Unemployment—Some International Aspects, 1920–8*. Studies and Reports Series C, No. 13 (1929, Geneva).

² See the *League of Nations Statistical Year Book* and *World Production and Prices* (various years, Geneva); also the documents on individual industries prepared for the World Economic Conference in 1927. These are summarized in *Summary Memorandum on Various Industries* (League of Nations, 1927, Geneva).

TABLE XLI
Effects of the War on Industrial World Production

(Production 1913 = 100)

<i>Group of countries</i>	<i>1913</i>	<i>1919</i>	<i>1920</i>
European belligerent countries	100	63	69
Neutral countries of Europe	100	99	101
The whole of Europe including U S.S R. (Russia)	100	66	72
Non-European countries	100	114	118
The world	100	90	97

Source: *Die Industriewirtschaft*, Sonderheft No. 31, 1933, of the *Vierteljahreshefte zur Konjunkturforschung* (Berlin), p. 23.

hastened a change already in progress. Countries outside Europe were unable to secure the industrial products ordinarily obtained from Europe. English and French productive power was concentrated on war necessities; the sea outlet for German goods was entirely stopped. Consequently a great impetus was given to industry in countries already industrialized, notably Japan¹ and the United States, who now had little competition in export markets; and countries where industry was in a relatively low state of development made great efforts to increase their industrial capacity to supply their internal markets. Raw materials were made up to a greater extent in the countries producing them.

Some industries, rapidly developed during the War, were not maintained at the high level then reached. Japan, for instance, did not retain permanently all the new markets she had obtained during the War period; nevertheless the permanent increase was substantial. After the War and the Revolution, Russia found herself ruined financially. She could no longer import the most essential consumers' goods. The result was the enormous effort towards relative industrial self-sufficiency which, later on, found its culmination in the Five-Year Plan.

Changes in 1919-24. In the five-year period after the War western Europe reached a high level of production to meet the accumulated consumer-demand thwarted by war conditions. Germany especially made gigantic efforts, urged on by the necessity of replace-

¹ An estimate by the Minister of Commerce and Industry put industrial production in Japan in the ante-war period at £137 millions; in 1919 the estimate was £674 millions. Nitobe (I), *Japan's Public Economy and Finance*, paper read at the Hangchow Conference of the Institute of Pacific Relations, 1931. Even allowing for the change in values these figures represent a very considerable increase.

ment of all kinds at home and by the demands laid upon her for reparation payments. The set-back to this process in 1921-2 was partly due to the inevitable result of the violence of the post-war boom and to the difficulties of adaptation from war to peace conditions. This depression retarded, but did not stop, the increase of productive capacity.

TABLE XLII

Development of Industrial World Production in the Immediate Post-war Period¹

(Production 1919/20 = 100)

<i>Group of countries</i>	<i>1919/20</i>	<i>1924</i>
Belligerent countries of Europe	100	135
Neutral countries of Europe	100	99
Europe including U.S.S.R.	100	129
Non-European countries	100	114
World	100	121

In the principal non-European countries production, in spite of all set-backs, has continued to increase.

2. Industrialization in Agricultural Countries and in Asia

The rapid industrial development of the U.S.S.R., since the inception of the Five-Year Plan in 1928, is a very important factor in the industrial world at large. Even if large deductions are made from the official figures for alleged inefficiency and for the unsatisfactory quality of some part of the product, the advance is very striking. In the period 1928-34 the production of investment goods was nearly quadrupled and that of consumers' goods more than doubled.

In India in 1931 the number of workmen engaged in factories coming under the operation of the Factories Acts, i.e. in undertakings employing an average of 20 persons or more, had risen to over one and a half million. A million of these workers were engaged in the cotton, jute, and engineering industries; the remainder mainly in the paper, cigarettes, petroleum, woollen, and printing industries. The indications of Indian social life are towards an increase in urban industry in order to counteract the extreme congestion on the land in many areas.

In Canada the output by volume of industrial production was nearly doubled between 1910 and 1923; similar advances were made

¹ *Die Industriewirtschaft* (cited above), p. 28.

in Australia and New Zealand, and in South Africa industrial production trebled in fifteen years, but it must be remembered that in the two last-named cases the base figure was not large.¹

The increased industrialization of Japan was forced upon her by the circumstances of a congested population. The alarm raised by Japanese competition in world markets is explicable. Her export trade in the year 1933 showed a great increase in yen values over the preceding year. The quantum² was about the same as in 1929. Even then, however, Japanese trade in 1933 represented only a little over 3 per cent. (values) of world trade, a comparatively small figure, but it is specialized in certain directions, and is, therefore, important for countries with exports of a similar character.³

In China also industrialization has proceeded with considerable rapidity. A good index of the changes that are taking place is provided by the imports of machinery: 1917, 4.5 million H.K. taels; 1922, 51.1 million H.K. taels; 1931, 44.9 million H.K. taels.⁴

A detailed study⁵ of the progress of industrialization in Asia and its repercussions on Western industry is provided in a book prepared under the auspices of the Royal Institute of International Affairs, as a contribution to studies undertaken by the Institute of Pacific Relations.

Changed Conditions of Production. The extension of industrialization has been facilitated and hastened by the changed sources of power. So long as steam-power derived from coal was practically the only motor force available, industry naturally centred on the coal-fields, and regions of coal production possessed an overwhelming industrial advantage geographically. Post-war production, based to an increasing extent on oil and hydro-electricity, means a decline in that advantage and the possibility of development in regions where no coalfields exist. Hydro-electric power is more or less local and gives a parallel advantage to that once possessed by coal districts; oil is readily transported and opens up opportunities everywhere.

¹ For the progress made in 1928 to 1933 in manufacturing industries in British overseas countries see a summary table in *Statistical Abstract for the British Empire*, Cmd. 4819 of 1935 H.M.S.O., p. 51.

² Gregory (T. E.), 'Japanese Competition in World Markets', in *International Affairs*, May 1934.

³ Mr. Yoshisaka, reported in *Industrial and Labour Information*, June 25, 1934.

⁴ Nieh (C. L.), *Chinese Industrial Development*, paper contributed to the Banff Conference of the Institute of Pacific Relations, 1933. (See also Franklyn L. Ho's paper to the Hangchow Conference of the I.P.R.)

⁵ Hubbard (G. E.), *Eastern Industrialization and its Effects on the West, with Special Reference to Great Britain and Japan* (1935, Oxford University Press).

The great industrial development in Russia, Sweden, Italy, Canada, and Japan is largely based on hydro-electric power.

Improved transport facilities have also reduced the importance of proximity to raw material. Science has done much to smooth out other inequalities that used to favour the older countries. The humid atmosphere of Lancashire, so favourable to cotton-weaving, can be artificially produced in the factory, and the perfecting and simplification of machinery has reduced the advantage of the natural mechanical aptitude of Western peoples.

The older industrial countries have to recognize, however reluctantly, that the dense populations of southern and eastern Asia, the growing populations of South America, the smaller white populations of the British Dominions have now passed the stage in which they are prepared to concentrate on the production of raw materials and foodstuffs for exchange with the manufactured products of the West. The second stage, in which the older countries retain their monopoly of manufactures requiring high skill, but no longer have a monopoly of the simpler processes, has lasted for some time. There are signs of future developments which will further reduce dependence on Western skill.

Incentive to Industrialization. There are varying reasons for this development, not the least of them being the natural desire to experiment with all the instruments of production, and the sense that full national development demands a varied economy giving scope to all aptitudes. The mechanized civilization of the West may have its undesirable aspects, but its spread appears to be inevitable and means increasing industrialization. In India and China this determination to experiment with Western methods receives strong reinforcement by the success of Japan. There are also weighty economic arguments for providing alternative industrial occupation for congested agricultural populations.

In the British Dominions the case is different. There is not a congested agricultural population, but there is the same civilization as in the West and the same liking for industrial occupations and urban life. Moreover, the long period of depressed prices in the staple exports of foods and raw materials has led to the conviction that the building up of local industries is desirable in order to spread risks and to diminish dependence on outside markets. Dwindling demand in Europe for imported staple foods due to the fostering of home production has reinforced the arguments for industrialization in the newer countries.

For these reasons it appears that industrialization in old agricultural

communities and in the newer countries must increase. The development of consumers' industries for home consumption is the first phase, followed by enlargement of these industries demanding outside markets, and eventually by the erection of plant for the production of capital goods. Almost every country makes up its own hides into shoes; the textile industries are more and more widely spread; India and South Africa are developing their own iron and steel industries. The process varies in rapidity with the degree of pressure in local economic conditions, but it will certainly continue. It is manifest on the grand scale in the industrialization of the U.S.S.R. Its consequences on employment in the exporting trades of Europe and North America must be taken into account. Nevertheless Europe and North America still have an overwhelming predominance in industrial production. The 'new' countries still have a very long way to go before they become independent of the import of highly specialized manufactures.

Effect on Older Industrialized Countries. It is important to remember that even between countries at the same high level of industrial development, as in the case of Great Britain, the United States, and Germany, there is still opportunity for the exchange of manufactured goods. The natural outcome of the industrialization of the newer countries would be for a time an expanding market for European production-goods, machinery, &c. (since industrialization normally begins with the production of consumers' goods), and a tendency for the export of European consumers' goods to consist of finer qualities in old industries and of the products of new industries requiring high technical developments. That has in fact happened, but the increase in the new industries has not made up for the fall in the export of the products of staple industries. The export of machinery means the creation of new means of production in other countries, and, therefore, an eventual increase of competition.

Every dislocation in industry means dislocation in employment. Therefore it seems desirable to examine the international structure of certain important industries, because if the changes which have taken place are likely to be permanent, the labour force will require to be adjusted accordingly.

The most important of all industries from the point of view of employment throughout the world is agriculture, which is not covered in the following pages, because employment cannot be assessed in terms of 'employed' workers in the ordinary sense of the word, since the majority of farmers in the world as a whole work on their own account. Moreover, the subject is too extensive for treatment in a single

chapter, and it has already been the subject of a book prepared by the Study Groups Department.¹

For practical purposes a survey of the changes in the international distribution of industry requires to be supplemented by a more detailed statistical analysis of particular aspects. A brief examination of the distribution of employment in certain staple industries is appended, with some account of recent changes in their international location and productive capacity. Building has been added because of its great importance in the amount of labour employed directly and indirectly, and because the development of the building industry has been one of the means adopted in many countries to combat unemployment.

¹ *World Agriculture*, 1933. For a detailed study of labour conditions in agriculture see Louise E. Howard, *Labour in Agriculture, An International Survey* (Oxford University Press, 1935)

CHAPTER IV

SPECIAL PROBLEMS IN COAL, IRON AND STEEL, TEXTILES, AND BUILDING

1. Coal

Production Changes Figures of world production of coal¹ show an increase in the immediate post-war years up to 1929, and then a persistent decrease to below the average level of the five years before the War. But within the general level there were marked differences in the increase and decrease of production. Great Britain shows a decline over the whole period, and in 1934 had not reached the level of 1924. Germany greatly exceeded the pre-war level in 1926-30, when decline set in. France, India, and Japan show increases, and the U.S.S.R. a production much greater than before the War. Between 1924 and 1929 there were heavy increases in Germany and the United States, but production fell heavily below the pre-war level during the depression. The U S S R. trebled production, France continued to produce more coal throughout the depression than before the War. India, South Africa, and Japan showed large permanent increases. World production increased between 1924 and 1929, and did not fall below the pre-war level until 1931. There was a marked revival with the improvement in industry in 1934. One important reason for the decline in British coal-production is the development of local supplies in countries formerly importing British coal.

The relative decline during the depression in the leading countries, expressed in percentages based on 1927-9 figures, shows the following movement.

TABLE XLIII
*Coal. Indices of Production*²
(1927-9 = 100)

<i>Countries</i>	<i>1929</i>	<i>1930</i>	<i>1931</i>	<i>1932</i>	<i>1933</i>	<i>1934</i>
Belgium	98.5	100.2	98.9	78.3	92.4	96.4
France (and Saar)	102.4	102.1	94.8	86.3	87.4	89.7
Germany	104.8	91.5	76.1	67.1	76.5	80.2
Japan	101.1	92.6	82.5	82.8	87.1	96.8
Poland	111.1	90.1	92.0	69.3	65.7	70.2
United Kingdom	103.6	98.0	88.2	83.9	83.2	88.8
United States	102.5	90.4	74.3	60.5	63.5	70.0

Reasons for Reduced Demand. Various causes have helped to retard the development of the coal-industry. One local one, which is of cardinal

¹ See Appendix XI.

² *Board of Trade Journal*, April 12, 1934, and April 11, 1935.

importance only in Germany, is the utilization of lignite in power-production, especially in the production of electricity. More general causes, so well known as to need no enlargement here, are the increasing use of oil (accounting for a considerable contraction in ship-demand and in South American markets) and the utilization of water-power (e.g. Italy, Switzerland, Scandinavia, and Canada). In Italy production of energy from hydro-electric installations is increasing: in 1929 it was 9,970 million kilowatt-hours, in 1931 it was 10,240 million kilowatt-hours. In the United States only 51 per cent. of the power used was derived from coal in 1930, as against 84 per cent. in 1913. Economies in the industrial use of coal have been large and general.¹

In every mining country the domestic consumption of coal is far more important than exports. Before the War only about a third of the output of even so great an exporting country as the United Kingdom was exported or shipped as foreign bunkers, about 23 per cent. of that of Germany, about a third of that of Belgium, under a fifth of that of the United States. The domestic consumption for household purposes may be regarded as fairly steady, being affected mainly by growth of the population and by the savings in coal-consumption resulting directly and indirectly from the increasing use of gas for heating and of electricity for lighting.

The industrial use of coal naturally depends on the state of trade, though modified by more economical processes and by special developments. Thus, in the United Kingdom, the consumption of coal in gasworks, on railways, and in coastwise shipping altered little between 1913 and 1929, a period when industrial production grew by 12 per cent., but the use of coal in electric power-stations doubled. Consumption in iron and steel works fell off by about 26 per cent., due largely to the greatly increased use of scrap in the steel-furnaces with consequent reduction in fuel-requirements, and by other economies in the processes, including the increasing use of electricity. Engine-fuel at collieries declined by 24 per cent., and the use of coal in general manufactures by about 4 per cent.² During the slump Northumberland and Durham, South Wales, and Fifehire, which are largely dependent on local iron and steel industries or on export, have suffered more than districts in central England producing largely for domestic consumption.

New Uses for Coal. On the other hand, new uses for coal are being developed by the manufacture of motor-spirit from coal. Proposals in

¹ American illustrations are a reduction of 42.6 per cent. in the average consumption of fuel per kilowatt-hour in the generation of electric power between 1921 and 1931, a reduction of 25 per cent. between 1921 and 1930 in the consumption of locomotive fuel per 1,000 gross ton-miles carried by freight trains, and a fall of 8 per cent. between 1921 and 1930 in coking coal used per ton of pig iron. United States: *Commerce Year Book, 1932* (1932, Washington), vol. 1, p. 217.

² See the figures of the coal consumed for domestic use and in different industries in the United Kingdom in *Statistical Tables relating to British and Foreign Trade and Industry*, Cmd. 3849, April 1931.

Germany for the domestic production of motor-fuel from lignite involve an initial capital outlay of 100 million marks. A decree (Sept 1934) compelling lignite concerns to enter a common organization is a preliminary of the scheme. For Great Britain the Secretary of the Mines Department was able to announce in the House of Commons on July 17, 1934, that in 1933 the quantity of coal carbonized was 318,000 tons.¹ There were then seven air squadrons flying on spirit derived from coal, and in 1933 the Admiralty contracted for a bulk supply of fuel of this kind.

Export Trade. The special case of the export trade in coal is shown in the following table of exports from Germany, Poland, and Great Britain:

TABLE XLIV
Exports of Coal from Principal Exporting Countries
(Millions of metric tons)

<i>Exporting Countries</i>	1913	1924	1929	1930	1931	1932	1933
Germany Coal .	34.6	*	23.9	24.4	23.1	18.3	18.4
Coke	.	.	.	8.0	6.3	5.2	5.4
Poland†	.	11.4	14.1	12.7	14.1	10.4	9.3
United Kingdom‡ (long tons) .	73.4§	61.6	60.3	54.9	42.7	38.9	39.1

* Not available.

† Coal, coke, and briquettes.

‡ Excluding bunker coal, averaging 14.6 million tons a year in 1929-33.

§ Excluding exports to the Irish Free State (about 2 millions).

The loss of British exports is explained by the development of coal-raising in former important markets, in India, China, South Africa, Australia, France, and Soviet Russia; the development of electricity from water-power in Italy; the encouragement of the use of domestic coal in German markets easily served by sea (exports from the United Kingdom to Germany were reduced by nearly 65 per cent. between 1924 and 1933); and efforts by quotas to retain the French home market² for the expanding French mining-industry. But the great thorn in the side of British coal-exporters, especially those of the north-east coast and Fifeshire, has been Poland, which since 1925 (when exports to Germany were largely cut off) has developed a strong freight-rate competition in the Scandinavian markets; in 1925 Denmark, Norway, and Sweden took 400,000 tons of

¹ The British Government encouraged the industry by a preference of 4d. a gallon from April 1934 for ten years to petrol manufactured from British coal, shale, or peat. For particulars of coal treatment and utilization see *Thirteenth Annual Report of the Secretary for Mines*, H.M.S.O. 1934, pp. 12-19.

² The Anglo-French Trade Agreement of 1934 secured a fair share of French imports of coal, estimated at 877,000 tons per annum more than would have been exported but for the agreement. (Ministerial statement in House of Commons, July 17, 1934.)

coal from Poland and Danzig, and 7,200,000 tons from the United Kingdom; in 1932 the figures were 5,096,000 tons from Poland and Danzig, and 4,300,000 tons from the United Kingdom. In 1933 exports from the United Kingdom to the three countries recovered to 5,800,000, while imports from Poland and Danzig were 3,915,000 tons. Determined efforts were made by Polish coal-exporters to neutralize the recent British recovery in these markets by expansion in other markets, and exports to west and south European regions have increased to some extent at the expense of the South Wales export trade. The Polish Government made a barter agreement with Italy, by which Italy should receive one million tons of coal over four years in exchange for two Atlantic liners being built for Poland at the Monfalcone yards. The consumption of Polish bunker coal is also increasing. An agreement between British and Polish exporters on export prices and quantities was reached, however, at the end of 1934.

Technological Unemployment. Loss of trade and improvements in mining have combined to reduce the personnel employed at the mines. While the former has been the main cause, 'technological unemployment' must not be overlooked. In 1909-13, 6.8 per cent. of the coal raised in England and Wales was hewn by coal-cutting machines, 319 tons being raised per person employed underground, in 1929 the proportion obtained by coal-cutting machines was 28 per cent., and 338 tons were raised per underground worker. In Scotland the proportion of mechanically-got coal rose from one-sixth in 1909 to 63 per cent. in 1929. In the United States over 50 per cent. of the bituminous coal was won by machines in 1909-13 and over 75 per cent. in 1929. Coal raised per underground worker rose from 808 tons in 1909-13 to 1,100 tons in 1929 in the United States (bituminous coal); from 265 tons in Prussia in 1925 to 412 tons in 1929; from 219 tons in 1909-13 to 251 tons in 1929 in Belgium; from 353 tons in 1925 to 525 tons in 1929 in Poland.

Employment Decreased. Employment in leading countries has moved as shown in the tables on pp. 144-5.

Unemployment. Unemployment figures do not reflect the full incidence of the diminution of employment. They do not show the reduction in days worked, which makes a formidable total.¹ The following figures show unemployment percentages in various countries for *mining generally*, and a large part of the figures may be applied to coal-mining. For the United Kingdom the figures are for coal-mining only.

Transfer of Miners to other Industries. The question of transfer is probably more important in the mining industry of Great Britain than anywhere else. The number of insured persons attached to the coal-mining

¹ In France in the departments of Nord and Pas de Calais short time averaged four or five days a month throughout 1932-3; in 1931 it averaged two days. Broken time must also be taken into account in considering unemployment in coal-mining. Employment in Great Britain was more regular in 1934 than in 1931-3. Coal was wound on 241 days on the average, more than in any year since 1930, when the average was 243 days.

TABLE XLV
Employment in Coal and Lignite Mining

(In thousands)

<i>Year</i>	<i>Great Britain*</i>	<i>Germany†</i>	<i>Poland‡</i>	<i>United States§</i>	<i>France¶</i>	<i>Japan</i>
1921	1,132	958	188	823	740	..
1922	1,149	837	215	845	239	..
1923	1,203	730	227	861	283	..
1924	1,214	652	152	780	310	
1925	1,103	639	110	749	314	
1926	..	591	129	759	330	
1927	1,024	614	114	759	318	239
1928	939	590	117	683	297	238
1929	957	591	134	654	301	228
1930	931	533	118	644	301	204
1931	868	425	109	590	275	154
1932	819	358	88	528	255	.
1933	789	.	77	..	244	228**
1934	.	..	.	..	232 (Sept.)	

* The statistics for 1922 and subsequent years are exclusive of the Irish Free State, and those for 1928 and subsequent years relate to Great Britain, corresponding statistics for Northern Ireland not being available. The Northern Ireland figures are very small—48 in 1927. See Twenty-first Abstract of Labour Statistics, Cmd 4625 of 1934, H M.S.O., pp. 18-19.

† *Statistisches Jahrbuch des Deutschen Reichs* (various years).

‡ In Poland the upward turn of the industry in the last quarter of 1933 enabled 6,788 more men to be employed—but there was a fall of over 6 per cent. in export (20 per cent. in value) over the whole year as compared with 1932. The figures represent the situation at the end of each year.

§ Figures perhaps not strictly comparable over the whole period.

¶ End of year. ** Miners, but mainly in coal-mining.

industry has declined by about 200,000 since 1924, but the percentage of unemployment is still about 25. Though there was an average of 300,000 persons recorded as unemployed in coal-mining in 1933, over 100,000 were accounted for as 'temporarily stopped', intermittent working being a constant feature of the industry even in prosperous times. The wholly unemployed include old men, and compensation and nystagmus cases; these considerations make the transfer problem of smaller dimensions than would appear from the total figures.¹

¹ Out of a total of approximately 7,400 and 8,100 transfers from other industries to the coal-mining industry in 1930-1 and 1931-2, 1.8 and 1.3 per cent respectively were definitely found to relate to new entrants. In a majority of cases, where this appeared desirable, the employer agreed to substitute an 'eligible' worker for a 'new entrant', that is to say, a person who had remained continuously attached to the coal-mining industry. (*Ministry of Labour Gazette*, May 1933, p. 164.) See also Thomas (Brinley), 'Labour Mobility in the S. Wales and Monmouthshire Coal-mining Industry 1920-30' in *Economic Journal*, June 1931.

TABLE XLVI

Percentage of Unemployment in the Mining Industries in Various Countries¹

<i>Date</i>	<i>Germany Wholly</i>	<i>Belgium Total</i>	<i>Sweden Total</i>	<i>U.K. Total</i>
<i>Total of workers on which last percentage is based*</i>	465,997	85,892	5,505	981,520
1928: June	1.3	0.1	14.5	25.7
Dec.	2.0	..†	18.0	19.1
1929: June	1.4	..†	10.4	19.0
Dec.	2.9	..†	18.5	14.6
1930: June	6.4	0.3	11.9	23.9
Dec.	9.9	0.4	24.9	19.7
1931: March	13.4	0.5	21.5	27.4
June	13.4	0.3	21.1	36.2
Sept.	14.1	1.4	19.6	30.4
Dec.	16.5	2.9	38.2	24.6
1932: March	18.8	4.0	39.6	26.9
June	18.2	7.0	39.6	40.7
Sept.	18.2	5.0	39.1	38.8
Dec.	18.1	5.0	39.0	29.2
1933: March	19.1	4.5	37.4	31.2
June	18.8	4.3	39.5	37.6
Sept.	12.0‡	4.8	41.1	33.4
Dec.	13.8	6.0	26.9	25.7
1934: March	15.1	6.7	43.7	25.5
June	14.2	7.1	28.0	36.5
Sept.	13.6	7.7	31.5	26.4
Dec.	..	8.8	20.2	23.2
1935: March	..	7.9	26.2	24.8

* For Germany and Sweden trade unionists, for Belgium voluntarily insured, for U.K. all workers. Partial unemployment not included for Germany.

† Less than $\frac{1}{10}$ of one per cent.

‡ In 1933 the German trade unions were reorganized in the German Labour Front, and figures from then onwards are not strictly comparable.

By Section 18 of the Mining Industry Act, 1926, limitations were imposed on the admission of new entrants over 18 years of age (mining students and disabled ex-service men excepted), coal-owners agreeing to give preference to eligible workers previously employed elsewhere in mining. Finally, it should be noted that there has been in recent years in some districts a relative scarcity of skilled hewers, and owners have always contended that any rapid recovery would be impeded from this cause.

The numbers transferred from other industries to coal-mining remained steady at about 8,000 per annum from 1927 to 1930, while the number of transfers from coal-mining to other industries tended to decline. In 1930-1 the movement from coal-mining into other industries increased heavily,

¹ Source: League of Nations, *Statistical Year Book, 1934-35* (1935, Geneva), pp. 55, 61 seq.

while the number of transfers from other industries into coal-mining declined. This was undoubtedly due to the attraction of workers to public works contracting, which was extensively undertaken in this period.

2. Iron and Steel

Changes in Production in Various Countries. The industrial structure of the Machine Age is based on iron and steel. Therefore activity in these industries is a good index of general industrial activity. Here, again, the structural changes which took place before and after the War explain much of the dislocation in industry. Capacity was largely increased in belligerent countries during the War for armaments purposes, and the process was extended after the War in many countries anxious to be more independent of foreign armament supplies in the future. The Peace Treaties effected a certain redistribution in Europe; French pig iron and steel productive capacity was nearly doubled (the figures in the table include Lorraine for both dates). The German steel-works, though reduced in capacity, still had a potentiality greater than immediate demand.

Changes which appear to have some degree of permanence are shown by the change in the shares of the principal countries in world production between 1913 and 1929, before the present slump was under way. These figures, both of pig iron and of crude steel, show a considerable re-allocation of activity. The percentage allocation of these quantities was as follows:

TABLE XLVII
World Production of Pig Iron and Steel, 1913 and 1929¹

Proportions of Chief Producing Countries

<i>Particulars</i>	<i>U.K.</i>	<i>Belgium*</i>	<i>France*</i>	<i>Germany*</i>	<i>Luxem- burg</i>	<i>Saar</i>	<i>U.S.A.</i>	<i>Rest of the world</i>	<i>Total</i>
	%	%	%	%	%	%	%	%	
Pig iron:									
1913 . . .	13.2	3.2	11.4	13.7	3.2	1.7	40.0	13.6	100.0
1929 . . .	7.9	4.2	10.8	13.8	3.0	2.2	44.0	14.1	100.0
Steel ingots and castings:									
1913 . . .	10.2	3.2	9.1	16.0	1.7	2.7	42.0	15.1	100.0
1929 . . .	8.2	3.4	8.1	13.6	2.3	1.9	47.5	15.0	100.0

* Post-war territory.

The total world production of pig iron in 1929 was 97.23 million tons; of steel ingots and castings 117 million tons.

The great increase in the United States is the outstanding feature of this table; Belgium and the Saar held their own. In France (including Lorraine) the fall was slight. Germany held her own in pig iron, but not in steel.

¹ Birkett (M. S.), 'Iron and Steel Industry since the War', *Journal of the Royal Statistical Society*, part iii, 1930, p. 373. The figures for crude steel include the quantity of pig iron used for making steel, about two-thirds of the total pig iron produced.

British industry suffered more than any other. The figures varied heavily from year to year; they were affected by the occupation of the Ruhr in 1923, by the coal-strike of 1926, but there was some recovery in 1928.

During the depression the heavy decline in the demand for capital goods naturally fell largely on the iron and steel industries.

Course of Production during the Depression. The tables in Appendix XII show the movement of production in 1929-33, the beginnings of recovery in most countries in 1933, and rapid improvement in 1934 except in France and the United States (whose production-figures show an erratic course). The situation during the depression was most catastrophic in the United States: in 1932 production had fallen to between 20 and 30 per cent. of the average of 1927-9. The Japanese steel-industry showed, with a brief setback in 1931, an expansion of over 60 per cent. by 1934. Figures for the U.S.S.R. are not given, but there also a record was reached; although the level proposed in the Five-Year Plan was not attained, production was doubled between 1929 and 1934. In 1932, for the first time, the output of both pig iron and steel in the U.S.S.R. was greater than in any European country, but in 1933 the production of steel in that country was exceeded by Germany and the United Kingdom. What part of the remarkable revival in western Europe in iron and steel production and in the engineering trades in 1934 is due to the increase in armaments it is difficult to say, but it is not negligible. The revival was especially notable in Germany, where production in 1934 was twice that of 1932.¹

Export Trade. The variation in the shares of the principal producing countries in world markets between 1929 and 1933 is partly due to restrictions on trade and partly to internal difficulties in the European Steel Cartel. A certain amount of the general decrease must be attributed to the development of the industry in countries which have hitherto relied largely on imports, notably Japan and India. India has developed a considerable export trade.

Idle Plant. The uncertainty in the iron and steel industry may be gauged from the unused reserve capacity in the principal countries. In the event of full recovery of demand uncertainty in individual countries must continue, while large potential capacity in other countries remains available. Germany was working in 1931-3 at less than half the level of 1927-9. The position in the United States was even worse. The Bureau of the Census shows that the plants in the United States fabricating structural steel were only working at 78 per cent. of their total capacity in 1929, and

¹ The results of the Krupps undertakings for the year ending Sept. 30, 1934, reflect the improvement in the German iron and steel situation. Employment rose over the year from 43,409 to 61,073 persons, and wages paid increased even more rapidly owing to the reduction of short time. In the last six months of the year the concern has been working at from 70 to 75 per cent. of capacity. The improvement is ascribed especially to the Reich programmes for the provision of work, though increased orders are reported from private builders, engineers, and motor manufacturers. (British Iron and Steel Federation. *Statistical Bulletin*, Jan. 1935, p. 4.)

at 39 per cent in 1931. This low utilization of capacity implies heavy unemployment.

TABLE XLVIII

Monthly Averages of Exports of Iron and Steel from the Chief Producing Countries

(In thousands of gross tons)

<i>Year</i>	<i>United Kingdom</i>	<i>U.S.A.</i>	<i>France</i>	<i>Belgium and Luxembourg*</i>	<i>Germany*</i>	<i>India</i>
1913	414.1	242.3	51.6	129.2	516.9	8.7
1932	157.3	31.0	197.8	274.8	179.6	29.4
1933	160.2	47.4	220.9	261.0	160.1	43.2
1934	187.8	38.1	250.8	277.5	202.7	39.3

Source: British Iron and Steel Federation, *Statistical Bulletin*, various numbers.

* Luxemburg is included with Germany in 1913.

Unemployment. The following percentages¹ of unemployment in the industry refer, except for Great Britain, to trade unionists only (in Belgium to workers voluntarily insured) and are not, therefore, fully representative. Moreover, they refer to different categories of workers and of production, and must not be used for purposes of direct comparison.

TABLE XLIX

Unemployment Percentage in Certain Groups in the Iron and Steel Trades

<i>Date</i>	<i>Canada (iron and iron products)</i>	<i>Belgium (all metal industries)</i>	<i>Sweden (iron)</i>	<i>United Kingdom (iron and steel)*</i>
<i>No. of persons on which last statistics are based . . .</i>	..	211,880	25,303	168,040
1928: June	2.9	0.3	5.7	20.5
Dec.	4.3	0.8	10.9	19.8
1929: June	1.9	0.2	4.1	19.3
Dec.	8.2	0.1	8.3	22.0
1930: June	8.0	2.0	5.3	29.8
Dec.	9.8	7.1	32.8	50.6
1931: June	12.5	10.3	12.9	48.2
Dec.	15.2	16.5	25.8	45.4
1932: June	26.8	20.3	22.6	48.2
Dec.	29.4	19.7	32.1	45.1
1933: June	30.6	17.6	12.1	38.7
Dec.	25.3	19.3	13.3	28.6
1934: June	18.6	19.0	5.6	24.6
Dec.	19.6	21.4	7.4	23.7
1935: March	17.8	21.6	5.4	23.1

Source: League of Nations, *Statistical Year Book* and national sources.

* Steel smelting and iron puddling, iron and steel rolling and forging only.

¹ League of Nations: *Statistical Year Book* (Geneva) and other sources.

Employment. The changes in employment in the iron and steel industry have been very great. The classification in different countries varies considerably, and it is impossible to give strictly comparable figures. The following figures¹ may be given for Great Britain and Northern Ireland (excluding engineers' iron and steel foundry).

TABLE L

Estimated Numbers of Insured Persons in Employment in Iron and Steel Industries

<i>Industry</i>	<i>No. employed</i>	
	<i>1923</i>	<i>1934</i>
Steel melting and iron puddling, iron and steel rolling and forging .	166,840	127,476
Tin Plates	28,786	19,896
Pig Iron (Blast Furnaces)	26,111	12,480
	221,737	159,852

British Difficulties. The special reasons alleged for the difficulties of the British industry have been competition of foreign iron and steel in the home market, and in the export markets of newly developed local industries, heavy costs in social insurance charges and local rates,² heavy rail charges, the existence of obsolescent plant, and lack of organization. In a statement in the House of Commons on June 8, 1934, Mr. Runciman said the main cause of the reduction by half of the British production of pig iron, steel ingots, and finished steel products between 1929 and 1931 was the flood of imports from the Continent. With the granting of tariff protection to the industry, in return for the promised execution of an effective scheme of organization in the industry, and with improvement in the home market and in foreign markets, the position in 1934 showed an advance, the production of steel ingots and castings approaching the level of 1927 (owing to technical changes, with a smaller body of workers), though it was still below that of 1929. The decline in demand from foreign markets and from the shipbuilding industry was partially compensated by the requirements of the building industry for steel frames and by the development of the motor industry.

¹ The Census occupation figures for Germany given on p. 68, above, show a heavy fall under the headings iron and steel and iron and steel processes, from 619,368 persons in 1925 to 273,185 in 1933.

² Wages above the standard rate are based on prices and are therefore variable. Mr. Birkett estimated the cumulative charge of local rates in 1927 at about 4s. 2d. per ton of finished steel, employers' liability and workmen's compensation at 1s. 6d., and national health and unemployment insurance at about 1s. 10d. per ton. See his paper already cited.

3. *Engineering Trades—Shipbuilding*

Indices of Production. Engineering covers a long list of trades of very varying prosperity. Indices of activity are as follows:

TABLE LI
Indices of Production in Engineering Trades
(1928=100)

<i>Country</i>	1925	1929	1930	1931	1932	1933	1934
Germany (consignments)	71.1	100.9	83.1	59.5	38.4	41.9	63.7
France (including shipbuilding)	83.3	113.8	113.8	98.6	69.6	78.5	71.7
Italy . . . . .	..	104.0	95.0	82.8	70.5	71.6	75.5
Poland (based on hours worked)	68.1	100.5	75.9	56.1	44.0	45.1	54.8
United Kingdom (based on hours worked) (including shipbuilding and motor-cars) . . . . .	..	107.0	103.1	83.9	78.3	84.9	99.1

Source: League of Nations, *Monthly Bulletin of Statistics* (various numbers).

Employment. The state of employment in the engineering trades in the United Kingdom and in Germany is shown below:

TABLE LII
Percentages of Unemployment in Engineering Industries

<i>Base figure</i>	<i>Germany</i>		<i>United Kingdom</i>		
	<i>Engineering</i>		<i>General</i>	<i>Motor vehicles and aircraft</i>	<i>Shipbuilding</i>
	1,172,402		522,620	271,530	158,709
<i>Date</i>	<i>Completely</i>	<i>Partially</i>	<i>Total</i>	<i>Total</i>	<i>Total</i>
1928: June	4.8	3.9	9.5	7.9	26.5
Dec.	8.4	7.4	9.8	6.5	30.3
1929: June	7.2	7.4	8.8	6.1	22.5
Dec.	12.7	12.5	10.3	7.3	23.3
1930: June	17.5	19.5	15.7	13.1	30.7
Dec.	26.8	25.8	24.7	16.2	45.1
1931: June	28.7	25.7	28.4	21.2	56.6
Dec.	39.5	30.7	26.8	22.2	60.1
1932: June	45.0	27.8	29.0	22.2	62.9
Dec.	46.8	26.5	29.2	18.0	63.5
1933: June	48.0	28.0	25.0	16.2	61.1
Dec.	28.0	2.3	20.0	11.0	54.5
1934: June	19.5	..	15.1	9.6	49.1
Dec.	18.2 (Sept.)	..	13.7	8.1	46.0
1935: March	..	..	14.0	8.1	45.5

Source: League of Nations, *Statistical Year Book*. See notes to Table XLVI.

Employment in Great Britain. The Engineering and Allied Employers' National Federation have compiled more detailed figures based on the Ministry of Labour statistics relating to the engineering trades in Great Britain. In 1934 there was a general improvement on these figures.

TABLE LIII

Engineering Employment by Sections of Industry, 1933

(March 1929=100)

Vehicle builders	21.1
Marine engineers	28.8
Locomotive builders	29.6
Textile machinery makers	53.3
Constructional engineers	54.1
Agricultural implement makers	55.9
Boilermakers	62.3
Brassfounders	63.1
Coppersmiths	67.5
General engineers (heavy)	69.3
Scale, beam, and weighing-machine makers	71.4
Lift manufacturers	74.0
Instrument makers	74.9
Tank and gasholder makers	75.3
Founders (iron and steel)	79.6
Motor (commercial) manufacturers	80.8
Electrical machinery and equipment makers	81.1
General engineers (light)	82.7
Allied trades (non-ferrous metals, hollow-ware, &c.)	85.1
Sheet-metal workers	91.7
Gas-meter makers	91.9
Machine-tool makers	92.2
Drop forgers	93.4
Telephone manufacturers	94.5
Aircraft manufacturers	98.9
Miscellaneous	102.7
Motors (cars, cycles, and accessory) manufacturers	109.7
Lamp manufacturers (electric)	159.2
All engineering trades	73.3

Unemployment in Shipbuilding, &c. The most seriously affected engineering trade in Great Britain is marine engineering and shipbuilding, which is affected by the fall in the volume of world trade. Unemployment in the greatest shipbuilding country in the world is worse in the shipbuilding industry than in any other industry, not excluding coal-mining and cotton.

The lowest quarterly average of unemployment in the marine engineering and shipbuilding trades since 1925 was 20.1 per cent. (third quarters of 1927 and 1929). In the second quarter of 1932 it was over 60 per cent., and, even with the revival experienced in 1934, the figure was 46.0 per cent. on December 17, 1934. The depression in these trades is one of the main difficulties on the north-east coast and on the Clyde, where the decrease in shipyard activity entails depression in many ancillary trades. The rationalization imposed on the industry by the necessities of the case

has fallen with great severity on certain towns in which yards have been closed. The Ministry of Labour,¹ commenting on the reduction in all districts in the percentage of unemployed persons in December 1934 in comparison with December 1933, points out that there was a substantial decline in number of the persons insured in these occupations. There were large reductions in unemployment in Scotland and Northern Ireland, but the unemployment percentages on December 17, 1934, were still 54.8 and 43.2 respectively for these areas.

The north-east coast, which specializes in tramp shipping, had still upwards of three-fifths of its insured men unemployed at one time in December 1934. In 1933 the proportion of shipbuilding berths occupied throughout the United Kingdom rose from 5 per cent. to 20 per cent., but that means a very large redundant capacity. Moreover, the increase was mainly due to naval orders.

Surplus Tonnage Between 1925 and 1929 world figures for new commercial tonnage launched averaged over $2\frac{1}{4}$ million tons, in 1932 the total was under $\frac{3}{4}$ million, in 1933 it fell below $\frac{1}{2}$ million.

The reasons for the plight of the shipbuilding industry may be briefly stated as a decline in world trade and an increase in tonnage, together with economies in its use.

1. World trade was still 25 per cent less in volume in 1934 (the drop in values was much greater) than in 1929, and a large proportion of the fall is in sea-borne trade.² The volume of trade is probably no greater than it was in 1913.

2. World tonnage increased from 49 million gross tons before the War to 70 million gross tons in 1931 or 43 per cent., and the reduction from that date up to June 1934 has been about $4\frac{1}{2}$ million tons only. World tonnage is about at the level of 1927.³

3. Capacity is greater and ships are faster, so that a single unit does more freight-work in a given time. Port facilities have improved and the turn-round is therefore quicker.

Great Britain and Germany are the only important countries showing a decrease in steam and motor-ship tonnage since 1914. The increase in certain countries has been maintained by heavy subsidies.⁴ The great increase in the United States took place between 1913 and 1922 (it had

¹ *Ministry of Labour Gazette*, Jan. 1935, p. 17.

² The fall in coal export has been particularly disastrous to British shipping. A drop in export between 1930 and 1932 of 16 million tons may be estimated, taking the average size of coal carriers at 2,400 tons, to mean the loss of 6,400 cargoes. This represents considerable unemployment among seamen and port workers. (Mr. A. R. Watson, Annual Meeting of Chamber of Shipping of the United Kingdom, 1933.)

³ For the full figures see Lloyds Register of Shipping.

⁴ For the amounts paid out by Governments in subsidies to regular shipping lines, tramp shipping, and in grants to assist scrapping of superfluous tonnage see *World Economic Survey* (League of Nations, 1934, Geneva), p. 219. Since that account was written the British Government have adopted a scheme for the assistance of tramp shipping.

been gradually increasing since 1893), and is now about $4\frac{1}{2}$ million tons less than in 1922. The Italian increase over the pre-war figure is mainly accounted for by the annexation of Trieste and Fiume, and in recent years partly by the building of large passenger liners to replace older scrapped ships, the Norwegian by the building of oil-tankers.

The percentage of steam and motor tonnage owned by the eight leading maritime nations has changed. British shipping, which formerly accounted for half of the total, now accounts for little more than a quarter.

TABLE LIV
Shipping Tonnage. Percentage Owned

<i>Country</i>	<i>1901</i>	<i>1914</i>	<i>1934</i>
Great Britain and Ireland	50.2	41.6	27.4
United States (sea)	4.2	4.5	15.2
Japan	2.2	3.8	6.3
Norway	3.4	4.3	6.2
Germany	10.1	11.3	5.7
France	4.4	4.2	5.1
Italy	2.7	3.1	4.5
Holland	2.1	3.2	4.1
Other countries	20.7	24.0	25.5

The world total of laid-up tonnage since 1928 has varied widely—between 3.4 and 14.2 million tons. At the end of 1932 19.5 per cent. of all available tonnage was idle. With this mass of idle shipping new construction must be small. That it is as large as it is is due to the demand for new types of ships—for motor-vessels and for oil-tankers. The rate of this process of change has been checked in recent years. Motor-ships accounted for 45.5 per cent. of total tonnage launched in 1929, for 57 per cent. in 1931, and for only 37 per cent. in 1932. Oil-tankers launched in 1931 represented over 40 per cent. of the total, but in 1932 less than 19 per cent.¹

Surplus Capacity Shipbuilding capacity was certainly greater than output in 1925–9,² and by 1932 output had fallen to about one-third of actual average production in 1925–9. The United Kingdom is still the greatest shipbuilding country, but tonnage launched in 1931 and 1932 was 502,000 and 188,000 tons as against an average of 1,482,000 in the years 1927–9. The 1932 figure was even below that of the bad year, 1926. In 1933 tonnage launched was 133,000 tons; in 1934, 460,000 tons. About 19 per cent. of the tonnage under construction in 1933 was intended for export abroad; in 1934, 10.2 per cent.

Naval Construction. Under the Naval Agreements now in force there has been a reduction in naval construction in certain countries. Naval tonnage

¹ League of Nations: *World Production and Prices, 1925–33* (1933, Geneva), p. 67.

² Even in 1929 only 54 per cent. of shipbuilding berths and 76 per cent. of workers were occupied in Great Britain.

demands about four times more labour per ton than ordinary shipbuilding, and a reduction in naval building, therefore, has a more depressing effect on employment.

Unemployment among Seamen. The figures of unemployment among seamen are not strictly relevant, but they are of some interest in connexion with the prospects of the shipbuilding industry. The International Labour Office has collected figures of the unemployment of seamen in the principal maritime countries. The number of seamen insured in Great Britain fell by 5,000 in 1932-3. In spite of this reduction unemployment averaged 53,000 in 1933. The second half of the year showed a real improvement on the corresponding period of 1932, due to the recommissioning of tonnage. In Germany the number of unemployed seamen averaged 23,054 in 1933 as against 24,550 in 1932; there was some improvement in employment also in France and Italy. In the United States persons employed on ships in use in 1933 numbered 143,817 as against 138,337 in 1932.¹

4. *The Textile Trades*

Large Factor in Total Employment. The textile trades taken together account for a very large part of industrial employment in all old-established industrial countries and in the Far East. The textile and clothing industries are probably second only to the food-producing industries as sources of employment. An attempt has been made by Dr. Grunbaum² to estimate the importance of the textile industries from this point of view. He shows that in the highly industrialized countries the textile industries (apart from the clothing industries) employ from 10 to 15 per cent, in Russia and Italy about 20 per cent., and in Japan and India probably 50 per cent. of factory workers.

In the world at large there are probably 9 or 10 million textile operatives, forming perhaps between 7 and 10 per cent. of total industrial labour (estimated at between 100 and 130 millions). The figures are speculative, because there are no satisfactory figures for many countries, especially for China. Of this large total of textile factory workers about 80 per cent. are employed in six countries; another 10 per cent. are found in a second group of six countries.³ Consequently, for practical purposes, the immediate problem of international co-operation is more circumscribed than might be supposed.

The countries in which textile industrial labour is most important

¹ International Labour Office, *Year Book 1933* (1934, Geneva), pp. 361-4.

² Grunbaum, 'Die Welttextilkrise', Sonderheft 24 (1931) of the *Vierteljahrshefte* of the Institut für Konjunkturforschung.

³ All these calculations, of course, leave out of account the mass of hand production in primitively organized communities. China is the only important nation in which hand-loom weaving still predominates over power-loom weaving. Even in India the amount of cotton-cloth production from power-looms is greater than from hand-looms, but in China the yarn consumption in power-weaving is only a quarter of consumption in hand-loom weaving.

(cotton, wool, silk, artificial silk, jute, &c.) and the numbers of persons employed are as follows:

TABLE LV
Numbers of Persons Employed in Textile Trades

<i>Country</i>	<i>Employed Persons</i>	
United Kingdom . . .	1924	1,261,984
	1930	1,062,250
United States* . . .	1925	1,327,000
	1929	1,333,000
Japan	1932	997,690
Germany	1925	1,212,437
	1933	843,308
France	1926	932,860
Russia	1920	346,322
	1928/9	656,973

* Perhaps an over-estimate, as some making-up workers may be included, though the clothing trades have been deducted.

Unemployment. Statistics of unemployment in the textile industries for certain countries (not strictly comparable because of different methods of compilation) are given in Table LVI, p. 156.

There is little exchange in and out of cotton employment in Great Britain, partly because of its intense localization (Lancashire is the principal centre)¹ and partly because women continue to work in the factories after marriage.

Under-employment. The high percentage of unemployment in recent years includes organized short time, but not all short work. The situation in Great Britain is described by Professor Jewkes and Mr. Winterbottom.²

When work is short, spinning mills usually shut down for some days in the week, and this short time is often organized so that workers can draw unemployment pay for those days. In the intermediate processes between spinning and weaving employment tends to be spasmodic. On the other hand a weaving-mill, if it is running at all, usually runs for 48 hours in the week. The general rule appears to be not to dismiss employees when work is short, but to take some looms out of production and allot fewer looms to each weaver. Thus a weaver may be out of work for the whole week, or he may be running fewer looms. The indication of the latter form of short work only appears in the movement of average weekly earnings. A weaver working 2 or 3 looms instead of 4

¹ Cotton spinning and weaving, and, to a greater extent, finishing and knitting, are carried on in the Midlands and south-west Scotland.

² Jewkes (J.) and Winterbottom (A.): 'Unrecorded Unemployment in the Cotton Industry', in *Economic Journal*, Dec. 1931.

TABLE LVI
Unemployment Percentages: Textile Trades¹

	<i>United Kingdom Cotton trade only</i>	<i>Germany*</i>		<i>Switzerland</i>		<i>Belgium</i>
No. of workers on which last percentage is based	466,440	556,939		..		140,396
<i>Date</i>	<i>(Wholly and intermittently)</i>	<i>Wholly</i>	<i>Partially</i>	<i>Wholly</i>	<i>Partially</i>	<i>Wholly</i>
1929: June	13.7	9.8	26.9	2.0	3.8	0.4
Dec	14.4	11.6	23.2	3.5	9.8	1.8
1930: June	41.5	14.3	33.8	2.7	10.2	1.4
Dec.	47.4	20.3	43.3	5.5	13.6	6.7
1931: June	40.6	20.6	35.3	2.8	12.3	7.0
Dec.	27.4	26.9	38.5	8.4	21.4	17.4
1932: June	32.3	33.0	45.0	8.9	14.7	19.1
Dec	23.3	30.0	37.2	9.6	15.9	17.3
1933: June	25.1	23.2	29.4	9.1	10.9	14.0
Dec	19.7	10.4	20.2	13.5	10.2	15.8
1934: June	23.1	8.9	8.9	7.3	9.0	15.0
Dec.	20.5	..	..	10.2	12.0	19.4
1935: March	21.8	..	..	10.5	11.7	18.0

* See note to Table XLVIII for the relative significance of these figures.

has earnings reduced by one-fourth or one-half; he pays his insurance contributions, but he receives no unemployment benefit. The system of spreading work obtaining in the cotton industry accounts for the low rate of migration from the Lancashire cotton towns. It has wide reactions on the industry itself.

'In recent years the industry has been very slow to effect the necessary degree of contraction of its productive capacity as markets have dwindled. The leading symptoms of this lingering structural disease are the existence of surplus mechanical equipment on the one hand, and, on the other, the maintenance of an artificially high labour force employed at something less than full capacity by reason of the spasmodic and intermittent running of the looms in commission.'

Thus the number of persons attached to the industry (the number insured against unemployment), though it shows some decrease, has not decreased as much as the contraction of employment would lead one to expect. There is undoubtedly a large surplus of labour, variously estimated at from 30 to 80 thousand. There are very few transfers into the cotton industry from districts outside. The percentage of 'foreign' cards lodged in cotton town employment exchanges is very small.²

¹ League of Nations: *Statistical Year Book*.

² See Jewkes (J.) and Campion (H.): 'The Mobility of Labour in the Cotton Industry', in *Economic Journal*, July 1928.

TABLE LVII

Cotton: Estimated Number of Insured Persons and Percentage Unemployed in Great Britain
Cotton Trade

Year	Numbers insured*	Percentage unemployed† (incl. those temporarily stopped)	
		July	Dec.
1924	572,420	15.9	6.9
1925	573,330	11.3	6.7
1926	575,100	28.1	13.3
1927	562,130	9.4	10.0
1928	553,970	15.2	11.1
1929	554,790	14.4	14.4
1930	564,090	44.7	47.4
1931	550,110	42.5	27.4
1932	517,950	33.0	23.3
1933	499,930	26.3	19.7
1934	467,370	25.6	20.5

* 1927 onwards insured persons aged 16-64.

† 1928 onwards insured persons aged 16-64.

Source: Nineteenth, Twentieth, and Twenty-First *Abstract of Labour Statistics* of the United Kingdom.

Interaction of various Textile Industries. The four principal sections of the textile industry, cotton, wool, silk, and artificial silk, are to some degree competitive with one another. Their difficulties are different, and are special to some countries. The severest trouble in the cotton industry is in Great Britain and is due to the development of the industry in Asiatic countries both for home consumption and for export. The woollen industry is also developing in Japan; the demand in countries hitherto mainly consumers of cotton goods appears to be increasing. In the silk industry China suffers from Japanese competition, the raw silk industry in Japan, employing thousands of home workers, has suffered from the fall in the American market. Both silk and cotton have felt the competition of artificial silk, but the use of staple fibre has increased the flexibility of cotton-spinning machinery, and will assist the cotton industry to share in the rayon trade, instead of suffering from its competition.

TABLE LVIII

World Production of Artificial Silk Yarn in Metric Tons¹

	(estimated)						
Year	1925	1929	1930	1931	1932	1933	1934
Metric tons	84,600	190,100	192,900	224,600	240,200	349,700	413,800

¹ See the detailed figures in *League of Nations Statistical Year Book, 1933-4, 1934*, p. 112.

Artificial silk production has arisen enormously since the War, and it is one of the very few commodities the production of which continued to increase during the depression. The largest increases in recent years have been in Japan (now second as a producer only to the United States) and the U.S.S.R.

General Indices of Textile Production. In spite of the various difficulties, world production in the textile trades taken as a whole, though it fell during the depression very much below peak production in 1927, fell less than production in other important groups. The quarterly indices¹ show first an upward swing in the latter half of 1932, followed by a relapse at the beginning of 1933, and a second sharp revival during the second and third quarters of 1933, again followed by a setback towards the end of the year, after which the world index stood a little above the average pre-depression level. Nevertheless, as the employment and unemployment figures show, there was acute depression in certain countries. The following figures show the movement of production in the last five years in the principal manufacturing countries:

TABLE LIX
Indices of Industrial Production: Textiles
(1928 = 100)

Country	1929	1930	1931	1932	1933	1934
Belgium . . .	95.4	78.4	72.0	61.3	62.4	46.0
Canada . . .	97.1	73.7	71.9	72.9	96.6	110.8
France . . .	92.9	85.9	71.7	60.6	74.5	63.6
Germany . . .	92.4	90.0	87.7	80.0	90.7	98.7
Italy . . .	101.7	91.4	81.9	67.4	76.3	73.6
Japan . . .	113.9	103.0	104.1	114.6	126.4	141.5
Poland . . .	91.3	70.6	66.7	57.5	60.0	67.4
United Kingdom .	98.6	79.6	77.1	85.2	89.9	92.1
United States . .	107.5	85.0	87.9	77.6	91.6	79.4

Source: League of Nations, *Monthly Bulletin of Statistics*.

The only country showing an advance over the whole period is Japan. The relative decrease is greatest in Belgium, France, and Poland. In comparing the relative changes in production, it may be noted that the proportion which textiles represent of the total industrial field covered by the general index numbers varies from a very small percentage in the case of Canada to one-third in the case of Japan. In Germany and the United Kingdom the proportion is rather less than one-fifth of the total, and in the United States about 10 per cent.

International Cotton Statistics. The changes in the capacity and in the activity of the cotton trade may be roughly measured by the statistics of spindleage and of the consumption of raw cotton. The comparison is only approximate, since the bale is not a uniform measure, and consumption

¹ League of Nations: *World Production and Prices 1925-1933* (1934, Geneva), p. 77.

varies with the counts spun and capacity of spindles varies with the hours worked. Consumption in countries not included in the total amounts to about half a million bales and does not seriously affect the proportion here given.

TABLE LX
Raw Cotton Consumption and Spindleage

	<i>Consumption of raw cotton (in million bales)</i>				<i>Distribution of spindleage Spinning spindles (mills.)</i>			
	1913		1934*		1913		1934	
	<i>mill. bales</i>	<i>%</i>	<i>mill. bales</i>	<i>%</i>	<i>spindles</i>	<i>%</i>	<i>spindles</i>	<i>%</i>
Europe	12.08	53	9.14	38	99.50	70	93.94	61
America	6.57	29	6.45	26	34.26	24	35.57	24
Asia	4.07	18	8.79	36	9.08	6	23.82	15
	22.72	100	24.38	100	142.84	100	153.33	100

* These figures omit German consumption for the latter half of the year.

The total consumption of raw cotton has not increased as fast as population, but Europe has lost her great preponderance, and is being rapidly overtaken by Asia.¹ Europe has not made a corresponding reduction in spindleage. Spindleage capacity in Asia is greater than appears on account of the general use of a double-shift system. There is abundant evidence of surplus capacity everywhere.² In the last half of 1934 there were increases in India and Japan; the only country which recognized the situation by scrapping spindles was Great Britain, which in six months showed a reduction of over two millions. There were large increases in some of the smaller European countries, in South America and in Egypt.³

Advance in Cotton Industry in Asia Certain technical difficulties delayed the advance of the textile industries in hot countries. These have been overcome, and the century-old advantage of the Lancashire climate has been largely neutralized. Then, so long as the bulk of spinning was done on mules, specially trained workpeople were required. Even down to 1913, mule spindles represented 52 per cent. of the world's total. The ring spindle has been so improved as to meet practically all demands (except for the finest counts, largely used in dress-fabrics in Western markets), and can be

¹ For fuller details see *The International Cotton Bulletin* (various numbers), *The Cotton Textile Industry in Far Eastern Countries* (1930, Boston, Mass.), and Field (E. V.): *Economic Handbook of the Pacific Area*, 1934.

² In the second half of 1934 a large proportion of spindles were standing idle. Stoppages during the 26 weeks were 8 weeks and 6 weeks respectively for the American and Egyptian sections of the British industry, 6.85 weeks for Japan (or 17 on the 48-hour week basis), 9.6 for France (with 2 million spindles completely stopped over the whole period), 13.3 weeks in Italy, and about 12 weeks in Czechoslovakia. In the United States 5 million spindles were standing idle on Jan. 31.

³ For proposals for the reduction of spindleage see pp. 183-4.

operated by untrained personnel. The ring spindle is practically universal in Asia, and the special skill of the European trained worker is partly neutralized.

The increases in capacity of Chinese and Japanese spinning-mills are shown in the following figures

TABLE LXI
Spindleage in China and Japan

<i>Year</i>	<i>China</i>	<i>Japan</i>
	<i>(000 spindles)</i>	
1913 . . .	.	2,414
1923 . . .	..	4,437
1928 . . .	3,638	6,467
1932 . . .	4,285	7,798
1934 . . .	4,681	9,530

Not only have Asiatic countries greatly increased their spindleage, but they are occupied for longer hours on a two-shift basis, though the hours are shorter than they were before the War. The hours of spindle activity in 1933 per week, allowing for short time, were calculated as follows.¹

TABLE LXII
Hours per week of Spindle Activity

36 hours and less . . .	Great Britain, France, Czechoslovakia.
46 hours and more . . .	Russia, Italy, Spain, Sweden, Norway, Denmark, and Hungary.
48 hours* . . .	America.
100 „ * . . .	India.†
102 „ * . . .	Japan.‡
132 „ * . . .	China.

* Two shifts.

† On Jan. 1, 1935, however, a 9-hour day came into force under the new Factory Act.

‡ Since these figures were drawn up there has been much short time, and official statistics show an average actual working week of 50 hours, which would reduce the figure to 100.

Distribution of Cotton Industry. From the point of view of the cotton industry countries fall into fairly well-defined groups (the proportions are for 1933):

- (1) Great Britain, with nearly one-third of the world's spindleage, about 18 millions of which are required for the home market.

¹ Bankwitz (Otto S.), paper read at the Hague Cotton Congress reported in *International Cotton Bulletin*, July-Aug. 1933. For later and more detailed information see *International Labour Review*, September and December 1934. For Looms in Place and Idle Looms see the *Bulletin* for July 1934, where the results of the Second Census of Looms are given. 'Looms in place' have diminished in three years in Europe and America, while Asia shows a substantial increase.

- (2) Other European countries, with a total about equal to the British, producing mainly for home consumption and for export to one another, though with a considerable export outside, the fall in which accounts for a loss of about 1.2 million bales of mill consumption.
- (3) Russia, with 9.2 million spindles, practically self-contained.
- (4) Asia, with 13 per cent of the world's spindleage, consuming 34 per cent. of total cotton consumption, because the spindles work in many cases double hours and on coarser counts.
- (5) America. The United States, with the largest cotton-goods output in the world, has a surplus capacity problem owing to the growth of the industry in the South. Canada and Brazil have increased capacity, and nearly all South American countries have started mills.
- (6) Africa and Australasia, mainly consuming markets.

Basis of Statistics The cotton trade was probably the first in the world to secure for its members complete world statistics of the consumption of the raw material, through the establishment in 1902 of the International Federation of Master Cotton-Spinners' and Manufacturers' Association. By 1906 arrangements for comprehensive organization were practically complete. The bare figures of consumption of bales of raw cotton do not give a complete picture of the value and importance of an individual industry. Heavy consumption per spindle may indicate a low average count in the finished product, since cheap, short, staple cotton will spin only low-grade heavy count yarns for use in the manufacture of the coarser fabrics.

'Consumption per thousand spindles is almost in inverse ratio to the quality of the country's industry; compare, for example, the figures of England and Switzerland with those of India, China, and Japan.'¹

The standard of measurement itself, the bale of raw cotton, varies from 750 lb. for Egyptian cotton to 250 lb. for some other crops. Nevertheless, certain deductions on the degree of employment afforded can be drawn from spindle consumption. British consumption per thousand spindles went down steadily after the War, in 1930-1 it was less than half what it was in 1912-13. Continental consumption recovered after the War, and only began to decline in 1930-1. Asiatic consumption, in spite of the reduction of hours in Japan, has decreased less than any other section. Consumption in the United States rose after the War until 1928-9, but then fell sharply. Though the distribution of world consumption per thousand spindles was changed, the totals remained fairly steady except in the crisis of 1919-20 and the crisis since 1930-1.²

Export Trade. The percentage of the total production of cotton piece-goods retained for the home market in 1929 was 28.4 for Great Britain, 50.2 for Japan, nearly 70 for Czechoslovakia, 59.6 for Italy, 62 for France, about 90 or more for Germany, India, Poland, and the United States. The foreign market is supremely important only for the British and Japanese

¹ Todd (John A.), *The Marketing of Cotton*, 1934, p. 24.

² *Ibid.*, p. 26.

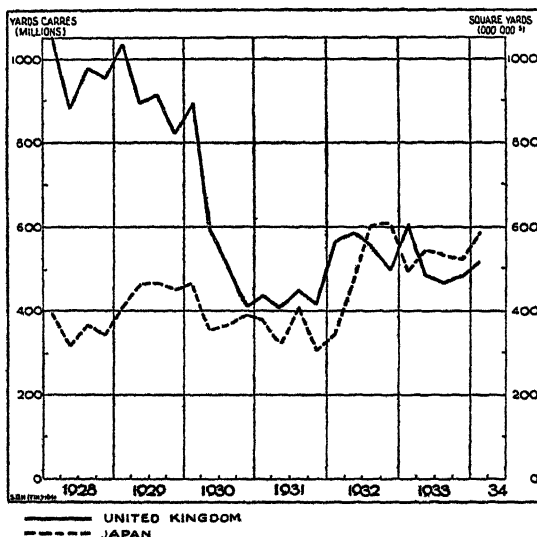
industries, on account of the magnitude of production. In other countries the industry mainly depends on the home market, though the export trade of Italy, Switzerland, and Holland is important. In nearly all countries yarn is mainly consumed in the weaving-sheds of the same industry. Only Austria, Czechoslovakia, and Switzerland export large proportions of their yarn-production. British exports of yarn are large, but only formed 13.3 per cent. of production in 1930. For Germany knitted goods are a large item; and France and Holland have an important trade in the finished thread. The cotton exports (yarn and piece-goods) formed 23.1 per cent. of all exports of manufactures from the United Kingdom in 1932, the corresponding figure for Japan was 31.1 per cent.

Japanese Competition in Export Trade. The following diagram¹ shows the change in the last six years in the export of cotton piece-goods from these two countries.

DIAGRAM X

Export of Cotton Piece Goods from the United Kingdom and Japan

Quarterly movement (Square yards, 000,000's)



League of Nations' *Review of World Trade, 1933*. Geneva, 1934, p. 31. Reproduced by courtesy of the Economic Intelligence Service of the League of Nations.

A comparison with the pre-war years is more startling. British exports fell from 6,862 million square yards in 1913 to 2,031 million square yards in 1933; Japanese exports rose from about 205 million square yards in 1913 to 2,087 million square yards in 1933.

¹ League of Nations: *Review of World Trade, 1933* (1934, Geneva), p. 31.

The bulk of this increase in recent years of Japanese exports of cotton piece-goods was to Far Eastern markets, Africa, and Latin America, but European markets absorbed a certain quantity. In 1933 there was a certain reduction of sales to China and India, but expansion elsewhere.¹ In 1932, for the first time, Japanese exports of cotton piece-goods exceeded British exports in quantity (though considerably less in value), and her position as premier exporter by quantity was maintained in 1933. It is a matter of much dispute how far this increase is obtained at the expense of other countries and how far it represents the opening up of new markets in countries where a minimum of clothing is required and the people are only able to buy because of the extreme cheapness of the product. Cheap Japanese goods may be raising the standard of living in backward countries by creating new demands of many kinds.² The Japanese cotton industry itself is subject to increasing competition with the great increase in Chinese home production, some of it in British-owned and Japanese-owned mills.

Labour Costs in Japan It is true, of course, that if Japanese wages were as high as the wages of Lancashire operatives, Japan would not have captured such a large share of the Indian and Chinese markets; but from such investigations as have been made by competent Japanese inquirers it appears that the real wages of the Japanese worker have been going up

¹ Mr. Arno Pearse analyses Japanese cotton exports in 1927 as follows:

China	. 32	per cent. (declined since 1918).
Kwantung	. 3½	„ „ „ „ „ „
Hong Kong	. 7½	„ „ „ „ (increased tenfold since 1918).
British India	. 22	„ „ „ „ (declined since 1918).
Straits Settlements	. 4	„ „ „ „ (increased threefold since 1918).
Dutch Indies	. 13	„ „ „ „ „ „
Philippines	. 3	„ „ „ „ (increased tenfold since 1918).
Siam	. 1	„ „ „ „ „ „
Africa	. 8.5	„ „ „ „ (has only entered recently).

A special correspondent of *The Times* (April 10, 1934) points out that of the trade Lancashire has lost since 1928 only about a third has been gained by Japan, in spite of cut prices and a depreciated exchange. The remainder he attributes to the general depression and the fall in prices of primary commodities in consuming markets. For a general discussion see Gregory (T. E.), 'Japanese Competition in World Markets', in *International Affairs*, May-June 1934.

² The Japanese case was put at the meeting of the International Cotton Committee in London on May 9, 1934, by Mr. K. Shimada. He argued that high agrarian protection in Europe impoverished the colonial countries. The price of wheat in France and Germany was more than three times the world price, and colonial producers had incomes so much smaller than European incomes that cheap Japanese goods were essential for them. He maintained that Japan passed on what she earned in Asiatic and African markets to Europe and America and Oceania in payment for raw materials and other goods. European members protested against the low prices of Japanese exports. As an example of competition in African markets the French delegate instanced the sale of Japanese printed denims in West Africa at 89 centimes, as compared with 2 francs 10 centimes for French cloths (*International Cotton Bulletin*, July 1934, pp. 99 et seq.).

steadily since the end of the last century. This is true at any rate up to the beginning of the world slump at the end of 1929, excluding the period of the War, when prices rose faster than wages. The disparity between Lancashire wages and Japanese wages was probably greater before the War¹

The Currency as a Factor in Competition. The low price of Japanese cotton cloth is secured by low labour costs, a high degree of technical efficiency and of organization in manufacturing, and especially in selling. Since Japan went off the gold standard in 1931 the export trade also has benefited temporarily from the fall in the external value of the yen. Before the change took place the Japanese cotton trade had purchased large supplies of raw cotton to forestall the depreciation in the exchange value of the yen. The advantage over her principal competitor gained in this way existed so long as these supplies of raw cotton lasted. The fact that Japanese currency used for the purchase of new supplies has a purchasing power some 40 per cent below that of the British extinguishes this particular advantage. But, apart from competitive trade, the depreciation of the dollar in 1933 has been of great assistance, since new supplies of raw cotton are not so costly as they were expected to be. Currency circumstances do not explain the whole advantage retained by Japan in export markets. Between 1929 and 1933 the export prices of Japanese cotton piece-goods fell by 66 per cent, against 63 per cent. for United States raw cotton, and, since raw materials are only one factor in total costs, it appears that she has continued to diminish working costs relatively as much or even more than the fall in the price of raw materials. (For negotiations on cotton markets see Appendix XIII.)

5. Building

Importance of the Industry. The building trades are of great importance in all countries, both in themselves and in respect of the industries whose products they use. They exert a direct influence on the stone, slate, brick, tile, and lime trades, on the wood-working and furniture trades, the trades producing structural iron, builders' ironmongery, lead, zinc, and copper, on the glass trades, and on many other trades. While a large part of the materials are of native production, no small proportion is imported, such as the non-ferrous metals, and, in a country poor in timber like Great Britain, soft and hard woods, door and window frames. Consequently, prosperity or depression in the building trades is at once reflected in the prosperity or adversity of the numerous subsidiary industries and in the activity of the industries which produce the export goods with which imported building materials are purchased.

Fluctuating Activity. The normal rhythm of the building trades naturally follows, both locally and nationally, the increase and migration of the population, and on this movement is superadded another reflecting the activity of repair and decorating work on houses as they get older and

¹ See also T. E. Gregory, loc. cit.

suffer from ordinary wear and tear. There is thus a long-term fluctuation, especially in the construction of business premises, dependent on the condition of business, for in the upward phase of the trade cycle there is an increasing application of resources to the means of production, including more factories, shops, and offices. A further and familiar irregularity is due to weather and climatic conditions, thus in a good year like 1929 the summer unemployment (in June) in the United Kingdom was 8·6 per cent. of the total insured persons in the industry, while in December it rose to 17·1 per cent.

Rent-restriction. Most European countries have experienced difficulty since the War in building houses, on a sufficient scale, to let at rents which the masses of the population can pay. The rise in building costs and the scarcity of capital are not the only reasons for this; an almost more important part is played by tenant protection, with the consequence that for some time to come the rents of newly erected dwellings will not cover the interest and redemption charges on the capital invested in them. During the War rent increases were prohibited or restricted almost everywhere to protect tenants, and this, together with the rise in general level of prices that accompanied the depreciation of the currency, destroyed the normal relation between costs and the prices for dwellings. In most countries, in the interest of social peace and undisturbed economic development, it is out of the question for some time to come to allow rents to be freely fixed at a level that will make the building of new houses for workpeople profitable; but at the same time measures have to be taken to cope with the ever-growing demand for dwellings. The serious housing shortage compelled the public authorities to take over an increasing degree of responsibility for the housing of the working classes, by the granting of loans or other measures.¹

British Figures. In Great Britain the Ministry of Labour collect and publish particulars of the estimated cost of buildings for which plans have been approved, at first for 78 towns and since 1923 for 146 towns, with a population of 16,470,000 in 1921.

Table LXIII shows particulars of plans approved from 1925 onwards, the numbers of insured persons in July of each year, and the percentage unemployed in June and December.

The changes in the cost of materials, falling throughout the period, have necessarily to be taken into account in attempting to measure, from the figures of cost of plans, the volume of building output. The effect of the 'economy' policy of 1931 is clear, for it delayed building schemes and

¹ Liepmann (Dr. Kaethe), 'Public Utility House Building', *International Labour Review*, July 1929 (Geneva). For recent housing activity in Germany see Institut für Konjunkturforschung, *Weekly Report* (Jan. 17, 1934) and June 34, 1934; for the degree of activity in various countries see League of Nations: *World Production and Prices 1933-1934* (1934, Geneva), p. 74. Indices of building activity for many countries are regularly published in the *Monthly Bulletin of Statistics*.

TABLE LXIII

Great Britain. Building Plans Approved¹

Year	Estimated cost of approved plans in 146 local government areas (L.C.C. excluded)				Insured building trade operatives in July	Percentage unemployed	
	Dwelling houses	Business premises	Other Buildings and alterations	Total		June	Dec.
	(in £ millions)						
1925 . . .	45.4	8.8	12.2	66.4	..	..
1926 . . .	46.2	8.8	12.6	67.6	..	..
1927 . . .	39.9	10.6	13.8	64.3	793,600	..	
1928 . . .	40.1	12.1	15.2	67.4	802,200	10.0	15.2
1929 . . .	44.3	12.1	16.7	73.1	810,620	8.5	16.9
1930 . . .	46.7	10.1	17.8	74.6	815,900	12.7	22.7
1931 . . .	40.5	7.9	14.6	63.0	840,320	18.1	28.6
1932 . . .	46.9	7.8	11.6	66.3	839,700	26.1	32.1
1933 . . .	62.3	8.1	13.3	83.7	867,090	19.9	25.9
1934 (6 months)	36.5	5.4	7.8	49.7	928,250	15.6	20.8

the construction of public buildings (included in other buildings). The increased expenditure of the last two years would, on the other hand, appear to indicate a return of confidence on the part of the private builder and the beginning of the new schemes of slum clearance.

Changes in Method. During the period under review certain changes in building practice have altered the distribution of work among different classes of labour. New factories and offices and blocks of dwellings are now built largely of ferro-concrete instead of stone and brick, and much more glass is used. The cement, steel, and glass trades have been correspondingly stimulated and the brick and quarrying trades (except for the new demand for small houses) relatively depressed. Improvements in sanitary and other fittings and the installation of labour-saving appliances have probably caused some increased demand for certain classes of skilled labour, but, on the other hand, the standardization of doors, windows, and other fittings has enabled them to be made by machinery with resultant economy of labour. Building is rapidly developing from an industry in which individual skilled craftsmen on the spot produced a house or a public building to an assembling industry in which the kind of skill required *in situ* is that of the all-round engineer, the component parts being produced in a number of other industries. The building industry is very much in the position of a Government dockyard, which procures the framework, the engines, the armaments, and the general equipment from other sources and assembles the material in the yard. The process in build-

¹ For details of employment of various sections of labour, of building costs, &c., see Building Industries National Council, *The Building Industries Survey* (London), Jan. 1935.

ing has not yet been carried to its logical conclusion. Many details are already reasonably standardized, but when the process is carried farther to the standardized construction of whole units, such as heating arrangements, the kitchen, and the bathroom, the resulting economies will be very great both in the supplying industries and in the actual building operations. The wide range of the supplying trade makes building activity a very important index of general activity, and every improvement in organization has wide reactions on industry generally.

United States. In the United States there was, as in other countries, a decline in building during the War, an increase after peace came, and another decline in the slump of 1922. One of the features of the trade boom which started in 1923 and collapsed in 1929 was a great speculation in real estate which culminated in 1928, business construction declined in 1925-7, there being a surplus of capacity left over from war building, but the attraction of high profits in industry led to a rise in the construction of factories in 1928. At the beginning of the slump the collapse of the building industry was greater than in any other country. Two series of indices are available to illustrate this history and are given below, the first is based upon figures collected by the F. W. Dodge Corporation of contracts awarded relating to area of new buildings in thirty-seven States, and the second is an index of construction published in the *Survey of Current Business* (Dept. of Commerce) and based on consumption of materials:

TABLE LXIV

United States. Contracts Awarded and Volume of Construction

(1925-9 = 100)

<i>Indices of</i>	1925	1926	1927	1928	1929	1930	1931	1932	1933
All buildings . . .	106	100	96	109	89	58	41	18	17
Residential . . .	111	103	98	112	77	45	38	15	14
Factory and commercial . . .	96	96	89	106	113	61	30	14	18
Public works and utilities . . .	130	93	102	81	94	129	67	23	32
Volume of construction . . .	94	96	100	105	105	88	60	..	..

The Public Works Administration¹ of the New Deal allotted various sums for building purposes, including \$49 millions for low-cost housing and slum clearance (up to Jan. 1934) and \$100 millions for the Public Works Housing Corporation; large sums under other allocations were in fact for various building purposes. The accounts of construction financed by Federal Funds show the following totals for building and construction (administrative buildings, dwelling-houses, &c):

¹ See League of Nations: *National Public Works* (1934, Geneva), pp. 126-7, and International Labour Office: *Social and Economic Reconstruction in the United States* (1934, Geneva), p. 77.

TABLE LXV

United States. Construction Financed by Federal Funds

Type	1934	1935 (allocations)
	(millions of dollars)	
Federal projects	585.7	799
States, municipalities, and various public bodies	7.4	168.6
Non-Federal private projects	2.6	35.8

Nevertheless, the index of residential building showed a further decline in 1934, though there was a revival in 'other building'.

Germany. In Germany the curtailment of public expenditure for building purposes since 1931 has caused not only a heavy fall in the erection of public buildings, but minimized that of dwelling-houses too, for 90 per cent of all dwellings up to 1931 (and 70 per cent. in the first three-quarters of 1932) enjoyed considerable public subsidies (financed by the 'Hauszinssteuer' and other sources). The Institut für Konjunkturforschung estimates (*Weekly Report*, Jan 4, 1933) the public subsidies for the building of dwelling-houses in 1932 to have been 120 to 150 million RM., that is, less than one-tenth of the years of active house-building. The sum paid out of the Hauszinssteuer alone fell from 850 million RM. in 1929 to 50 million in 1932. The value of building activity in Germany was as follows (according to the Institut für Konjunkturforschung):

TABLE LXVI

Expenditure on Building in Germany 1928-32

Years	Dwelling-houses		Industrial building		Public building	
	1,000 mill. R.M.	% of the average of 1928 and 1929	1,000 mill. R.M.	% of 1928 and 1929	1,000 mill. R.M.	% of 1928 and 1929
1928	3.20	100	2.99	100	2.72	100
1929	3.50		2.70		2.70	
1930	3.00	89.6	2.40	84.4	1.70	62.7
1931	1.70	50.7	1.30	45.7	1.00	36.7
1932	0.70	20.9	0.60	20.4	0.90	33.2

On the average of the years 1927-9, more than one-quarter of the erection of dwellings was financed by the Hauszinssteuer; in 1932, however, only about one-tenth.

Unemployment. The course of unemployment in the building trades is as follows. For Belgium, the Netherlands (the greater part), and Switzerland the figures are based on unemployment insurance (compulsory or voluntary) statistics, and for Germany and Australia on trade-union

statistics. The proportion of workers covered by the statistics varies as from one country to another, and they may not always be fully representative. The trade is strongly seasonal, as the contrast between June and December figures shows.

TABLE LXVII

Percentage of Workers Unemployed in the Building Trade

	Germany*		Belgium	Netherlands	United Kingdom	Switzerland†		Australia‡
	Wholly	Part	Wholly	Unemployment index	Wholly and Part	Wholly	Part	
1928. June	8 0	0 0	0 4	7 0	10 0	1 2	.	12 6
Dec	50 6	1 3	15 0	27 2	15 2	14 4	0·2	8 7
1929 June	10 4	0 0	0 1	2 1	8 5	0 6		8 8
Dec	52 8	2 5	5 5	24 5	16 9	13 0	0 2	14 3
1930 June	38 0	0 2	2 7	6 2	12 7	1 1	0 2	23 3
Dec	65 4	1 4	19 5	30 2	22 7	15 9	1·8	27 9
1931 June	56 6	0 4	11 5	9 2	18 1	1 5	0 2	32 6
Dec	85 4	0 6	28 3	39 1	28 6	22 9	2·7	36 0
1932 June	78 0	0 3	21 6	32 7	26 1	4 9	1·6	42 1
Dec.	86 1	0 4	26 7	55 8	32 1	29 4	2·8	40 2
1933 June	70·6		17 3	27·5	19 9	8 5	1·8	36 6
Dec	59 9		38 6	63 4	25 9	36 8	2·7	32 2
1934 June	24 6		23 6	46 3	14 9	7 9	1·4	28 2
Dec	.		37 7	52 0	21 0	32 1	1·9	23·4
1935 March			40·3	60 1 (Feb.)	17 3	28 8	2·6	..
Basis of last figures	777,383		120,559	83,418	928,250	..	.	48,879

Sources. League of Nations, *Statistical Year Book*, Geneva; *Maandschrift van het Centraal Bureau voor de Statistiek*, The Hague; *Quarterly Summary of Australian Statistics*, Canberra

* German figures for 1933 and 1934 not strictly comparable with those of earlier years

† Including woodworkers.

‡ May and November.

CHAPTER V

TRUSTS AND CARTELS

THE difficulties in coal-mining, in the iron and steel industries, in engineering and shipbuilding, in the textile and building trades, employing a very large proportion of the total of the world's industrial workers, have led to various suggestions for improved organization. The demand extends to other trades, but in these trades the question is of pressing importance. The organization of the building trade is a national question in each country, but for the others, with large foreign trade interests, a purely national solution appears to be impracticable.

1. *National Policies*

Public opinion has undergone a remarkable change in its attitude towards combination in the last thirty years. Instead of legislation against monopoly the formation of combinations in industry is encouraged by Governments and even enforced, as in Japan,¹ Germany, and, by recent legislation which has not yet had time to show results, in France. In Great Britain rationalization in this wider sense is demanded in certain important industries as the prerequisite to tariff or other protection. The National Industrial Recovery Act in the United States declared the intention of 'promoting the organisation of industry for the purpose of co-operative action among trade groups, to induce and maintain united action of labour and management under adequate governmental sanctions and supervision'.

Effect on Labour. Since combinations in industry are concerned with determining the level of production and with the reduction of costs, they have a direct bearing on the level of employment. The difficulties in isolating the part played by the existence of combinations on the labour employed are very great. Some concrete examples of the effects of rationalization in the narrower sense within the individual factory unit and of the closing down of work under more general rationalization schemes are given in later pages. The general question is a much wider one. The argument used to urge cartellization or other forms of combination on an industry as a whole is usually that the maintenance of its competitive position in the world demands a reduction of costs which cannot otherwise be secured, and that, failing such reorganization, the market cannot be maintained,

¹ By the Control of Principal Industries Act, 1931.

and the whole industry must decline, with a corresponding progressive reduction in the total number of workers employed. The reorganization involves, if it is to be effective, an allocation of output between the different units composing the industry, with preference to undertakings with a high level of efficiency and consequent low allocations to the less efficient or even the closing of works. The consequence is some displacement of labour. It may be that under reorganization of this kind certain pits, works, and factories may maintain full employment where there has been irregularity and short time, and in other cases the whole staff will be thrown out of work. The total employment in the long run will probably be steadier; it may be as great as before, or may be greater if the increased efficiency secured permits a reduction of price and the widening of the market. But if combination creates monopoly conditions or allows technological improvements otherwise impossible, employment will probably be reduced. In any case there will be temporary dislocation,¹ and, since transfer from one centre of industry to another is difficult, some permanent unemployment.

But if the reorganization is proved to be essential, and if the alternative is extensive, involving disemployment of a large number of persons attached to the industry, the initial dislocation of labour will have to be faced.

There are so many different considerations involved that it is difficult to draw any hard and fast rule, or to say whether all the necessary conditions will be fulfilled, whether this or that scheme of reorganization will improve the labour position or not. Much depends on the motives and the form of reorganization and on the methods adopted. Combinations may be formed in order to socialize risk-bearing under State planning, as in the case of the 'trusts' of the U.S.S.R.; or they may be formed to counteract State action of various kinds, charges on industry in their own country or tariffs abroad; or they may be fundamentally monopolistic, like the mergers in the United States. The most general motive is the desire to insure against loss by the maintenance of price or the reduction of cost, or both, and for this purpose to eliminate competition within the industry. At the present time public opinion favours the horizontal form of combination—cartellization—and is distrustful of the vertical combination because of certain recent examples of the collapse of these organizations. The impulse to form the more complicated vertical organization comes from the fact that there may be cartels at each stage—from

¹ See the special cases described on pp. 223-6 and, for Great Britain, cases described in the various reports on the distressed areas.

the raw material to the finished product—and that one group may hold another to ransom unless there is vertical control.

Advantages and Disadvantages. Some of the difficulties of cartellization require consideration, since it is often assumed that cartels necessarily make for efficiency. General experience seems to show that if cartellization takes place in a period of rising prices, when new competitors are most likely to enter the market, the tendency is for over-investment in the cartellized industry—what the Germans call *Fehlinvestition*—since the existence of the stabilized price at a high level attracts capital. Therefore, where some industries are in this favoured position, there is apt to be a misdirection of capital and labour, which at some point will have to be remedied, and a certain amount of disemployment will result. So long as the price is maintained¹ there is no strong incentive to reduce costs, and wages may remain at a relatively high level. Employment is reasonably stable so long as the cartel remains unshaken.

It is possible that cartellization of certain industries and certain branches of industry may maintain wages and employment at the expense of other branches of production. It has often been argued, for instance, that cartellization in the textile finishing industries in Great Britain has, until recently, raised the price of the finished product to a degree inimical to the prosperity of the non-organized spinning and weaving industry. The German Government has had to apply strict regulations to the sale of cartellized semi-finished products in the iron and steel industry to the engineering and other trades. Cartellization therefore introduces new rigidities in the exchange of commodities within an industry, i.e. in its internal economic relations. The cartellized industry may gain security by what is practically a tax on another associated industry; it may, by stabilizing its own demand for labour, de-stabilize it in other industries.

The fundamental danger of cartellization is, however, the tendency to maintain prices by the restriction of output, with a consequent reduction in the labour employed. The tendency is not universal; there is no inherent reason why the cartel should not seek to maintain profits by increased production at a price lowered to increase demand. Nevertheless the circumstances under which cartels are formed usually point towards a restrictive policy and the securing of a monopoly power which may be inimical to the consumers. The cartellized industry or trade may also be powerful enough to exclude newcomers likely to effect reductions in price. A cartellized distributing

¹ In fact cartel prices have not displayed any great rigidity, unless the cartellized industry is supported by adequate tariff protection.

trade might well prevent the accession of great new providers of cheap goods for poor customers, for instance, and so, in the end, restrict production in manufacturing industries.

These arguments against cartellization are not conclusive. Closer organization appears to be inevitable for the reduction of costs. But if cartellization itself is unregulated, it may not necessarily lead to that reduction; it may, secure in its own preserve, simply keep out more efficient new producers. Some supervision and control appears necessary if the evils of monopoly are not in the long run to cancel the immediate advantage.

It is often claimed that integration on a large scale, the existence of large concerns, tends to iron out cyclical fluctuations in industry. The experience of Germany and the United States, where integration has reached a high level, seems to point the other way. Willard Thorp asserts that:

‘In the case of cyclical fluctuations, the data indicate that large corporations are subject to wider fluctuations in production and employment than the smaller concerns. This seems to be the result of a more or less conscious policy to shut down the plant and accept the losses resulting from idleness rather than to offer their products at greatly reduced price, thus accepting the loss on inventory, but maintaining operation. The general tendency is therefore towards production cycles rather than price cycles.’¹

2. *International Cartels*

The next stage is to apply to external trade the same principle of combination which had been adopted in domestic markets, and to form an international cartel. Some important international agreements, such as the Rails Agreement, existed long before the War, and there has been a great increase in the movement in the post-war years, not only in manufacturing industries, but in food and raw-material supply.²

The first object of international agreements is to protect the home market by its reservation to the home producers, and the second to assign quotas to the several countries supplying neutral markets. Price-fixing is not a general feature, though it was adopted in the aluminium agreement of 1926. In the Steel Ingot Association of 1926 between Germany, France, Belgium, Luxembourg, the Saar, Austria, Hungary, and Czechoslovakia, quotas were fixed based on an agreed annual production, and, in order to prevent excessive expansion and

¹ *Recent Economic Changes* (New York), p. 217.

² For details see League of Nations: *Review of the Economic Aspects of Several International Industrial Agreements* (1930, Geneva).

price-cutting, one dollar per ton had to be paid into the pool and four dollars for every ton of excess production, countries producing less than their quota receiving a limited compensation. So far, international agreements have proved rather fragile, and they have had no great success in their efforts to restrict production during the depression, but they are generally renewed, after a brief lapse, because any agreement is better than none.

Relation between International Cartels and Tariffs. A close relation exists between international cartels and national tariff policies. Generally, manufacturers have wanted both tariffs and cartels—tariffs to secure their home market,¹ combination to safeguard and increase profits. The cartel oversteps international frontiers and seeks to neutralize tariff arrangements. Cartel agreement is built around tariffs, taking account of the variations in price involved. The tariff is allowed for, a sudden change of tariff is of course disconcerting, and may mean rearrangement of the terms. The international cartel system permits of specialization by the participating countries in the particular branch of the trade for which their respective conditions are adapted. But, generally speaking, the home market is mainly reserved for the home producer, i.e. the cartel acquiesces in tariff protection, production is allocated according to the expected domestic consumption plus an allocated export quota, or, more usually, the total production figure is left open and only the export quota fixed.

If any industry attains a degree of national monopoly—say the cement industry in Great Britain—the consumer is protected from artificial scarcity by the possibility of buying cheaper abroad. With the advent of the international cartel, if it is fairly comprehensive, that opportunity disappears.

Dumping leads to higher tariffs, but international agreements 'may put a limit to further demands for protection and thus counteract the incessant rises of protective tariffs. The prevention of dumping is, above all, in the interest of the national finishing manufacturers, who are damaged by the difference between the home and world prices for raw materials and half-manufactured goods.' But 'the policy of national exclusiveness has gained ground to such an extent during the last few years that the effects of the international cartels have been neutralised.'² When a country which previously imported goods decides to have them made in its own territory, an exporting firm

¹ Moreover, where exports are subsidized, the cheap exported product might be re-imported if no tariff were available.

² Liefmann (Dr. R.), *Cartels, Concerns and Trusts* (1932, London), p. 150.

which previously supplied such goods has three courses open to it—to abandon the market, to confine itself to specialities, and to move its business.

The third device is frequently adopted.¹ There has been some influx of foreign firms into the United Kingdom since the adoption of a tariff, and some British firms have set up branches abroad to circumvent tariffs. Thus John Lysaght & Co., a subsidiary of Guest, Keen & Nettlefold, Ltd., which manufactures sheet-iron, now has works in Australia, Canada, South Africa, and Argentina. Other departments of Guest, Keen & Nettlefold have also established works abroad—in Brazil (screws, &c), in India (railway material), South Africa (nuts and bolts). The chairman, Sir John F. Beale, said at the 1934 annual meeting of the parent company: 'We naturally regret the transfer of manufacturing activity from this country, but we have had to change with the times. Australia demands goods of local manufacture, and as a result of our undertaking it the new enterprise has not been entirely a loss to this country. It has called for the transfer of a certain number of skilled workmen, works managers, and staff. The organisations and traditions are maintained—a certain amount of British machinery has to be exported, which indirectly gives employment at home.' Despite these qualifications such compulsory transferences cannot but produce unemployment in the exporting country, and local migration laws generally prevent the migration of the workpeople with the business.

Limitation of International Cartellization. Even if the tendency proceeds and if obstacles to the movement of goods are met by producers and industrialists by the adoption of an extended system of international cartels for those products which are sufficiently standardized to be dealt with in this way, there is still the danger of agreements being upset by the intervention in the foreign markets of the cartelized industry by new producers or by producers who have not come into the scheme. The example of Japan only need be mentioned. In any case, textile finished products and machinery must for a long time enjoy a free sale, and markets will continue to go to those who produce the best article at the lowest cost.

Effects of International Organization. Before the World Economic Conference of 1927 the question was raised² as to the social and

¹ The interests of the French iron and steel industry in Poland, Czechoslovakia, and Rumania, of the Brown-Boveri concern (Swiss) in Italy and elsewhere, of the American General Electric and the Siemens-Schuckert concern in other countries may be cited.

² See League of Nations: Oualid (William), *Social Effects of International Industrial Agreements* (1926, Geneva).

economic effects of this supra-national organization of the production and distribution of goods on (1) the workers employed by the undertakings so grouped; (2) the consumers of the articles so produced or manufactured. The same individual may be both a worker in a cartelized industry and a consumer of cartelized products. His interest may be at stake in both directions.¹ With regard to his position as worker the fear is expressed that the new organizations may become so powerful that they will be able to dictate to labour on wages and other questions and destroy the strength of trade-union organization, and that economies in production based on various methods of rationalization will cause unemployment.

If the cartel system ensures the stability which is its aim it is probable that wages will tend to stability also. It has sometimes been suggested that trade unionism will be adversely affected on this account. But labour organization has other aims beside stability of employment, and the problem of securing good conditions apart from wages in a period of rapidly changing technique is increasingly important. Trade unionism has never been strong in the United States, where rapid changes in technique and the extreme mobility of labour offer serious difficulties. It has ceased to have any independent force in the Soviet Union, under the National Socialist Government in Germany, and in Italy. In all three countries the trades unions have come under Government control.

From the point of view of employment the only statement that can be made with any confidence is that with production and industry working under allotted quotas under a system of international control the known requirements of any particular industry would be predictable for a given period within narrow limits, unless the system broke down under the new strains and stresses set up. The argument is that if so many thousand tons of new shipping are to be built in British, Baltic, Scandinavian, French, and Italian ports, the number of men required to carry out the programme would be known, and the present surplus of labour would be a definite surplus for which other provision must be made. Similarly with coal, with iron and steel production, and with other industries. Up till now the problem of the removal of surplus labour from an industry and its settlement elsewhere has rarely been fully faced; under a comprehensive inter-

¹ As consumer, the worker is not entirely defenceless. In the co-operative movement a great mass of consumption of personal goods (food, clothing, furniture, drapery, fuel) has been brought into harmony with production, thus stabilizing the employment and increasing the security of the workers; advances in prices by private firms have frequently been resisted by co-operative societies, and real wages have thus been protected.

national cartel system it would have to be faced, because the scope of production would be reasonably predictable.

Regulation. The Report of the World Economic Conference in 1927, after reciting the various advantages and risks inherent in the international cartel system, concluded that they represented 'a development which has to be recognized and must be considered good or bad according to the spirit which rules the constitution and operation of the agreements, and in particular according to the measure in which those directing them are actuated by a sense of the general interest'. Sir Arthur Salter¹ has suggested that cartels could provide a 'vital constituent element in a General World Economic Council, related to the great private organisations of every country through its members, and to the Governments through the mechanism of the League of Nations. Such a Council could at once, with authority and with practical influence, discuss on a world range . . . questions of finance and control of output. . . . And a policy so emerging might do much to introduce into a system, which still left room for enterprise, variety, freedom and competition, the now essential element of collective planning.'

Further, 'Whenever the citizens of different countries meet on a basis of common interest that transcends and cuts across frontiers, whether they are industrialists, or trade unionists, or financiers, or scientists, or schoolmasters; whenever organisations develop on lines determined by their special purpose,—industry, labour conditions, education or finance,—and draw their members indifferently from every country, the foundations of international relations are broadened, and international amity no longer rests precariously on purely political foundations.'²

The League of Nations, and the World Court, as at present constituted, are in the main adjudicating and co-ordinating bodies between States. It may be that what is required under the new conditions in world production and trade is reasonable co-ordination of industries under a supra-national regulating authority, which might resolve some of the existing difficulties of great industries whose products occupy a large place in world trade—agriculture, coal, iron and steel, other metals, textiles—and prevent the abuse of growing monopolistic control and the waste of speculation.³

¹ *Recovery* (1933, London), p. 204.

² *Op. cit.*, p. 206.

³ 'The World Court, and the League of Nations and its organs, become adjudicating and co-ordinating bodies as between States. Thus, there is a territorial scheme varying from local councils through countries, provinces and the like, through States, possibly even through groups of States (*blocs*, unions,

If international cartellization is to take the place of unregulated competition some supervision is required. But, in any case, it can only be effected on the basis of combination within the national units. Some of the recent steps towards the national co-ordination of industry are, therefore, indicated in the following pages for the industries described in the last chapter. They provide some basis for estimating the possibilities of international organization. No particulars are given of the highly developed combination in the United States, since the facts of integration of industry in that country are very well known.

3 *Organization in Individual Industries*

Coal. The process of rationalization in British coal-mining was hastened by the Coal Mines Act of August 1, 1930, under which a reorganization commission was set up with power to promote schemes for amalgamation involving when necessary the closing down of mines. Production quotas were allotted, and came into operation at the beginning of 1931. The Central Council of Coal Owners settles the permissible output for each district and co-ordinates minimum selling prices. In December 1933 the Coal Mines Reorganization Commission reported the small success they had had in securing amalgamations. Under the Amending Order of June 1934 two kinds of supply allocation were provided for, for inland and for export. The Council now received powers to co-ordinate prices. The incomplete organization of the British coal-owners has tended to retard international agreements, though discussions have been proceeding for several years, and a British-Polish agreement on exports has been in force since January 1935. Agreements have, however, been negotiated by the Government with Norway, Sweden, Denmark, Finland, and Argentina for the import of British coal on reciprocal conditions. British and Polish producers hope that the Agreement referred to above may form the nucleus of wider international agreement. The Economic Committee of the League of Nations at its April-May session in 1935 reported in favour of deferring proposals for an international coal conference until the results of current negotiations were available.

On the Continent coal-mining is strongly cartellized. In Germany a Reichsgesetz of August 20, 1919, made membership of the existing coal syndicate compulsory. Coal-mines in each district were formed into a union, which was affiliated to a central union, the conduct of which was

ententes), to the final stage of the World Community itself. Equally important, however, are the concurrent federalisms of vocational bodies, religious bodies, and so forth. . . . Their limits are functional, not territorial, and they will have both national and international functional co-ordinating bodies of their own. In practice the structure will be even more complicated than this . . . but these are the main lines of the group organisation that tends to be adopted throughout the world.' Milne-Bailey (W.), *Trade Unions and the State* (1934), p. 272.

subordinated to the Reich Coal Council, on which the interests of employers, workmen, consumers, and merchants were represented, together with scientific and technical interests. In fact, control was never more than nominal, actual marketing was left in the hands of individual unions. In June 1931 a Presidential Order empowered the Minister of National Economy, if he so desired, to enrol all mine-owners into a syndicate. The most important German coal district is under the Rhenish-Westphalian Syndicate, whose life has been prolonged until 1942. In 1934 a new coal law, involving closer organization of the Syndicate, was in preparation.

The Polish Coal Cartel was renewed and strengthened in July 1927 for three years. The members sell coal direct, but are bound by minimum prices fixed by the Cartel.¹ At present discussions are proceeding as to the abolition or redrafting of this Coal Convention. The policy of closing down marginal pits and increasing production from more profitable ones is being pursued.

The French coal-mining industry, like the German, is organized in large units and is in fairly concentrated areas. This tends to make easier the development of producers' organizations, in contrast to the scattered British coal-fields of small pits. The general need for post-war reconstruction in the devastated areas should also have facilitated some unity of action. Actually, until 1931, although there was a fair measure of solidarity among producers, there was no closer organization among them than the Comité Central des Houillères de France, which provided machinery for concluding regional collective wage-agreements, supported a research institute at Montluçon, &c. It was not until the blast of the economic crisis struck the French industry that in the spring of 1931 the fields of the Nord and the Pas-de-Calais concluded an *entente interbassins* which was, in April 1932, extended to include the central, southern, and eastern coal-fields (Lorraine and Saar). 'C'est la première fois qu'un régime de répartition cohérent a été institué en France entre les producteurs', says Monsieur André Fraigneau.² Under the agreement, French coal sales were allotted on a quota basis between the different regions, and penalties imposed upon those who exceeded their allotment. The internal sales agreement was reinforced by the quota system for limiting imports from 1931 onwards.³

Iron and Steel. The National Government in Great Britain granted a tariff of 33½ per cent. to the steel industry, originally for three months, extended for another three months, and finally in October 1932 for two years, since renewed, in order to give the industry time to produce a scheme of reorganization. The scheme submitted by the industry in March

¹ Michels (R. K.), *Cartels, Combines and Trusts in Post-war Germany* (1925, London).

² Fraigneau (A.), 'Les Industries extractives' in *Revue d'économie politique*, mai-juin 1932, p. 808.

³ For an account of the organization of the French coal industry see Cahill (Sir R.), *Economic Conditions in France*, Dept. of Overseas Trade, 1934, pp. 132-7.

1933 had been pronounced by the Import Duties Advisory Committee to be useful in view of the time required for the raising of capital and the necessary reorganization. The time-limit was to be removed indefinitely. The reorganization suggested the formation of a body incorporated by Royal Charter, with eleven sections representing the different sections of the trade. The amended scheme put forward in 1934 proposed to give sectional associations power to fix prices and to control output by allocating quotas. It was also suggested that additional levies should be imposed to subsidize export trade and close down redundant plant. The process of rationalization so far has been most effective in the tubes section and in the armaments group, but fairly rapid strides have been made in regional groups. A good deal of re-equipment on modern lines has already been carried out.¹

The tendency in the iron and steel trade in Great Britain has been towards regional grouping in the main centres, on the Clyde, and in the north-east coast, Lancashire, and South Wales.² In 1928 a Steel Export Selling Association was formed, and a Central Selling Agency has since been established for the export of heavy plates, girders, and sections. The tendency is to concentrate one kind of production in one district and one in another; for instance South Wales specializes in sheet-iron and tin-plates, the north-east coast in shipbuilding and construction steel, Lancashire in wire and steel rails, and so on. There seems to be no reason why there should be so much exchange of heavy iron goods between different districts producing the same article.

The shift in iron and steel production, which may increase, to fields in north Lincolnshire, largely developed since the War, and to the rich fields in Northamptonshire, the development of which has hardly begun, means a larger proportion of new and up-to-date plant.

The French iron and steel industry is strongly organized under the Comité des Forges, which was founded in 1864. Reorganization after the War was heavily subsidized by the State, the renovation of the various works being chargeable to a large extent as war damage. At the end of 1931 the principal steel producers agreed to accept regulation by quota of their output on the basis of their production in 1929 and 1930. Existing *comptoirs*, with powers to fix prices and output, and to act as sales agents,

¹ For full particulars see P.E.P. (Industries Group) Report on the British Iron and Steel Industry 1933.

² Heavy steel products in South Wales and Monmouthshire are controlled by the British Iron and Steel Company (Guest, Keen, and Baldwins), formed in 1930 to take over the interests of the various companies operating in South Wales. Amalgamation of the principal interests on the north-east coast (Dorman, Long and Company, Ltd., and the South Durham Steel) has not yet been secured. In the west coast of Scotland the two dominant firms (David Colville & Sons, Ltd., and William Beardmore) are in alliance, and arrangements have been made with Stewart and Lloyds for the transfer of part of their plant to Clydeside and the remainder to Colville's. Other regional combines are the Lancashire Steel Corporation and, in south Yorkshire and Lincolnshire, the United Steel Company.

were strengthened and new ones formed. The *comptoirs* regulating the industry were practically parallel with the German cartels acting under the general steel trust in Germany, and the new organization made the revival of the International Steel Cartel feasible.¹ The board of each *comptoir* transacts business for the particular section of the industry, and contact between the branches is assured by the board of the *Comptoir Siderurgique*, consisting of the chairmen of the individual *comptoirs*.

The rationalization scheme of the German Steel Trust (Vereinigte Stahlwerke), the largest concern in the trade, included extensive technical improvements, the result of which was evidenced in an increased output per worker of 90 per cent. in blast furnaces and 75 per cent. in steel works between 1924 and 1929. After financial stringency began it appeared that investment had led to an increase of capacity in excess of demand. By 1931 it became necessary to split up the concern into less unwieldy units, and the process has continued since that date, Vereinigte Stahlwerke being reorganized as a holding company.² The Government Commissioner for the Steel Industry insisted (July 1933) on certain important conditions respecting sales and quotas in individual syndicates, and has further reorganized the industry into four districts each with its own authoritative leaders. The establishment of new firms is subject to licence. The scrap trade is organized in one cartel for the whole of Germany.

4. *International Agreements*

International Steel Agreements. The first Continental Steel Agreement was signed on September 30, 1926, by west European producers. The first quarter of 1926 was taken as the basis for the allocation of percentage quotas (variable from time to time) between the members. The total quota was fixed at 25½ rising to 29¼ million tons, being rather greater than it would otherwise have been but for the British coal stoppage in that year. When the Cartel was formed Germany urged that her quota amounted to some 75 per cent. of her productive capacity, while in the case of the other countries the quotas amounted to approximately 95 to 100 per cent. A further agreement, signed at the same time as the Cartel and subsidiary to it, limited the imports from France and Luxembourg in the German and certain French markets, and in 1927–8 the German industry was working at very near its full capacity. The agreement was supplemented by other special agreements for machine wire, tubes, cast iron, &c. In the first instance the agreement provided for a quota of production to be enforced by fines on groups exceeding their quota, and a bonus for those who did not complete it. Generally speaking, the home market was as far as possible retained for the home industry. Austria, Czechoslovakia, and

¹ For a full account of the integration of the French iron and steel industry see Cahill (Sir R.), *Economic Conditions in France*, Department of Overseas Trade, 1934, pp. 211–27.

² For the component firms see Thelwall (J. W. F.), *Economic Conditions in Germany to June 1934*, Department of Overseas Trade, 1934, p. 120.

Hungary, formed into one group, joined the Cartel in 1927. The groups concerned proceeded in 1930 to attempt to organize the sale of certain semi-finished iron and steel products, and a further Price Agreement was concluded on March 13, 1930, with the Czechoslovakian, Austrian, and Hungarian groups. The object of these agreements was the formation of international Sales Agencies acting on parallel lines and subject to uniform regulations. But in fact the collapse of the market made it impossible to maintain the Cartel, although it did not formally come to an end until 1931.

During the depression it was impossible to reconstitute the Cartel, but in April 1933 a new agreement was signed by the original participating countries for the formation of a new international steel cartel, the International Ingot Steel Export Association (I R E G) for a period of five years. This agreement placed no limit on home production, and provided only for the allocation of export markets, imposing heavy fines for exceeding the quota. Six selling syndicates, each for a single product, were formed at Liège, Luxembourg, Paris, and Dusseldorf, and basic export prices in gold for various steel products were fixed in June. In November the prices of bars, joists, and thick plates were increased by 2s. 6d. per ton (f.o.b. Antwerp) for all destinations where British and American competition was not keen. Belgian export prices (gold), which had increased up to June, remained stable in terms of gold after that date. The sterling prices were calculated at a different rate for the British market to facilitate sales. It appeared probable, in 1934, that Austrian and Czechoslovak producers would join the Cartel.

In January 1934 a six-months' agreement on prices and marketing of ship-plates and sections between British makers and the Continental Steel Cartel was announced, allotting 25 per cent. of international trade in these commodities to British manufacturers.

The International Tube Cartel, formed since the War, included two groups, the Continental group, formed in 1926 and intended to last till 1940, and an Anglo-Saxon group, consisting of the United States, Great Britain, and Canada. Sweden stood outside the arrangement. The agreement was renewed in March 1933 for two years, but broke down in the spring of 1935.

The break-down of the Tube Cartel made some agreement between the Continental Steel Cartel and Great Britain more urgent. In March the British Government raised the import duties on steel to 50 per cent., mainly, it was understood, to give the British industry a stronger bargaining position. On May 1 the conclusion of a three-months' agreement between British producers and the Cartel was announced, fixing an import quota into Great Britain, and the additional duty was withdrawn at the request of the British negotiators. The terms of a five-years agreement (with a break at three years subject to six months' notice), to take effect from August 8, 1935, were announced on June 12. Iron and steel imports into the British market from cartel countries were limited to 670,000 tons for the first year and 525,000 tons in subsequent years, thus giving British producers a

larger share of the home market than they had in 1934. The British quota of export to neutral markets was fixed at the proportion of 1934. The general agreement covered rails, tinplates, plates and other products which had hitherto been the subject of special agreements, but left the details to subsequent negotiations.

Various other cartels for special products exist on the Continent. The oldest of all these agreements is the International Railmakers' Association (I R M A.) formed in 1911 and renewed after the War. The principal producing countries standing outside this organization are Canada, Spain, and Japan. The Cartel retains home and Empire markets and foreign controlled railways to the home producers, and allots quotas, imposing fines for exceeding the quota.

In the tin-plate industry, which is strongly organized in South Wales, an agreement has recently been concluded between Great Britain, the United States, France, and Germany for allocating quotas and fixing prices. There is no central selling organization, but a substantial part of the product is sold through an agency set up by one large group of producers.

Shipbuilding. There has been a certain amount of combination among British shipbuilding firms. Moreover, National Shipbuilders' Security Limited, formed to deal with the large surplus capacity for shipbuilding standing over from the necessary expansion during the War, began operations in 1931. The capital for the company was found by shipbuilding firms for the purpose of purchasing and dismantling redundant yards, the loan to be repaid by a levy based on the selling price of new ships built. During the three years of the operation of the company 116 shipbuilding berths have been dismantled and 43 have been allowed to fall out of use. It is estimated that total capacity has decreased by 23 per cent. in the last three years. Since the excess capacity of British shipyards in 1931 was estimated at 3 million tons, and as the probable future demand is not more than half that quantity, much remains to be done.

Shipping. A preliminary meeting of the International Shipping Conference was held in London (Jan 14-19, 1935) to prepare a scheme for concerted international laying-up. It was proposed to compensate the owners of laid-up tonnage by a charge on freight-rates, a method adopted by the 'Tanker Pool' in force since May 1934.

Cotton. The first proposals for dealing with surplus productive capacity in the British cotton industry were those put forward by the Joint Committee of Cotton Trade Organizations in 1929, which were followed in 1930 and 1931 by a statistical inquiry into the margin between actual and potential production. In November 1934 proposals involving the establishment of statutory authorities were under discussion in the spinning, dyeing, and printing sections of the cotton industry. The establishment of machinery to deal with surplus capacity appears to be the most urgent requirement of the Lancashire industry; it would accomplish more than its immediate object, for its very existence would involve much greater co-ordination of effort than has hitherto been possible, especially in

carrying out progressive measures on which there is general agreement, but which require a common fund and central machinery for their execution.¹

Although it is true that few of the schemes which have been brought forward as a means of countering the depression in Lancashire have actually been put into operation up to the present, there has been a considerable psychological change. Individualism is strong in Lancashire among both employers and employed, and the industry has not the experience which other European and most Asiatic industries have of State encouragement. Many of the proposals which are now current in continental cotton industries were evolved in Lancashire. For instance, the eight-loom system, the compulsory minimum wage for weavers, and the formation of special syndicates to handle the production of standard goods for export were mooted in Lancashire before they were adopted elsewhere. Adversity, however, has made these and other previously unpalatable ideas appear more attractive even in Lancashire.

The Japanese Cotton Spinners' Association was founded in 1889, and now includes 97 per cent. of spindles and about 50 per cent. of mechanically driven looms (wide 15 in. and over). It has an exceedingly detailed statistical service. The Association has shown a remarkable power of enforcing its decisions on members. Within the last four years, although there have been many complaints from the smaller members on the policy of sealing spindles to restrict production, there seems to have been universal acceptance of the ruling. Schemes have been put forward for a large scheme of purchase of spindles, the estimate being that 2 millions (25 per cent. of the total) are surplus.

The rationalization of the Japanese spinning industry was facilitated by the profits gained during and after the world War. The electrification of factories was carried out between 1921 and 1925 to the extent of 20 per cent. of total motive power. By the end of 1929, 90 per cent. of the motive power was supplied by electricity. Simultaneously new machinery of high velocity was installed by which the preliminary processes of spinning were simplified. The use of automatic looms reduced costs in the weaving industry.² Six companies own half the spindles; three concerns purchase 70 per cent. of the raw material and handle 40 per cent. of the cotton manufactures exported.

In the cotton industry organization for the diffusion of information and for the exchange of opinion is provided by the International Federation of Master Cotton Spinners' and Manufacturers' Associations with headquarters in Manchester.

¹ A Government Bill introduced in 1935 provides for the establishment of a Board with a capital of £2 million to purchase redundant spindles for scrapping or for disposal (not to foreign purchasers); the proposals are not identical with those outlined by the Colwyn Committee.

² Asari (J.), *Development of the Cotton-Spinning Industry in Japan*, Hangchow Conference, 1931, p. 11.

Excess capacity has led to various proposals of rationalization within the European continental area. Consideration of the suggestions put forward by Dr. Bankwitz at Prague were deferred until 1934. They were for a European cartel to regulate output with a view to the preservation of the domestic market, preservation of European agrarian countries which have not yet started their own industries, participation in the export trade by the formation of a combined export agency.¹ In *L'Informazione Industriale*, March 10, 1933, M. Freschi, Vice-President of the Italian Cotton Manufacturers' Association, suggested that cotton manufacturers in western Europe should arrange that:

- (1) an official census of looms should be taken,
- (2) the installation of new looms should be prohibited for the duration of the depression or for a fixed period—perhaps three years;
- (3) a number of looms should be destroyed and compensation provided by a levy on output. The compensation should be at least equal to three times the value of the looms as scrap iron. The 50,000–60,000 looms now unoccupied represented scrap to the value of 8–10 million lire.²

The difficulties of international agreement for the limitation of output and the allotment of markets appear to be almost insuperable in the cotton trade, because in many countries the industry is widely distributed over a large number of comparatively small undertakings. There can be no international agreement until a sufficient degree of national organization has been secured.³ Particulars of Anglo-Indian-Japanese negotiations on markets are given in Appendix XIII.

¹ *International Cotton Bulletin*, July-Aug. 1933.

² *Industrial and Labour Information*, May 10, 1933

³ See a report by William Oualid to the French National Economic Council: *Journal Officiel*, April 26, 1932.

CHAPTER VI

PROTECTIVE POLICIES

THE regulation of international competition in individual industries by international agreements between producers may develop; at present it only covers a small part of production and of international trade. The principal methods are adopted not by industrialists, but by Governments, under pressure from the industries concerned, and they take varied forms in tariffs, quotas, and restrictions of many kinds. The international cartel demands some degree of reconciliation of the interests of the different nationals represented in the cartel; the tariff or other governmental intervention is inspired by the interests of its own nationals, tempered by certain political considerations of the resistance likely to be offered by other Governments. The international cartel agreement and the tariff are in some degree interdependent. The cartel arrangement is usually made with the assistance of, and in consonance with, the tariffs; tariff changes commonly require rearrangement of the cartel arrangements.

1. *Intensification of Trade Barriers*

Effect of Slump Conditions. The policies of restriction of imports followed by nearly all countries during the slump are reflected in the fall in international trade shown on p. 95. Tariff rates were raised but proved insufficient barriers, and were reinforced by quotas and exchange restrictions on payment for imported goods. These measures were not merely measures for the protection of home industries; they were in many cases imposed because of the disorganization of currencies. The defences against imports, if they were to be effective, had to be progressively strengthened. A main preoccupation with many countries, especially with those still on gold, or nominally on gold, has been to avoid an adverse balance of payments. The gold-standard system, in normal times, provided a simple means of regulating the balance of trade; in the absence of this means of adjustment every kind of device has been adopted to maintain an even balance, by import prohibitions, quotas, the rationing of foreign exchange, and resort to barter. These methods are accompanied by general unemployment and poverty, but it may be argued that in their extreme form they are a result and not a cause of high unemployment. They undoubtedly hinder recovery, but when recovery comes—

there was *some* improvement of international trade in 1934—it is unlikely that the restrictions will be removed completely, or even that the relative freedom of trade which existed before the slump will be restored at the old level.

The Increasing Trend towards Economic Nationalism. One of the reasons for fearing the retention of some part of the additional obstacles to trade is the increasing strength of the doctrine known as autarky or economic nationalism. It is a more dangerous doctrine, in Europe at least, than it was in earlier days, because of the multiplicity of national units. Relative self-sufficiency might be feasible for the United States, Russia, or United States of Europe, or even the old Austro-Hungarian Monarchy; in terms of the Succession States of the Austrian and Russian empires it is impracticable.

Since no nation has attained complete self-sufficiency it is not possible to state that it has brought with it such and such results. It would be necessary to show the passage of a State from internationalism to autarky and to exclude other possible factors of change. Such evidence as is available points to a decline in the standard of living.¹ On purely theoretical grounds this decline might be expected. The profit-motive ceases to be the sole criterion for the creation or continuance of any branch of activity. Industries are carried on, not because they are economic under the particular national circumstances, but because the home demand must be provided from home sources by home labour. Some industries, as before, will be profitable or self-supporting, others will not, and must be subsidized by the tax-payer, i.e. out of the profits of those industries which are profitable. The home market becomes all-important, and external trade tends to be restricted to goods required to pay for the necessary raw materials and foods which cannot be produced at home, and, in the event of the continuance of international lending under these circumstances, to the exchange of commodities necessary to implement the loans and their services.

The policy of economic nationalism is rarely pushed to its logical conclusions, but the extreme case is not fantastic: German industry boasts of its declining necessity to import raw cotton because substitute materials are available. France has quotas for some 1,800

¹ Consumption of fats (butter, margarine, and lard) in Great Britain rose from 35.9 lb. per head in 1924-7 to 41 lb. in 1933; in Germany the figure for 1924-7 was 36.7 lb. and, after a rise in 1928-32, it fell in 1934 to 34.3 lb. The price of wheat in France in 1934 was three times the world price and of butter nearly three times. In Germany wheat and butter stood at almost 2½ times the world price. For details see League of Nations Economic Committee, *Considerations on the Present Evolution of Agricultural Protectionism*, 1935.

classes of industrial products (the tariff list itself has 8,000 items), and on many agricultural products.

Limitations of the Home Market. In the 'self-contained' national economy much stress is necessarily laid on the development of the home market, on the development of a higher standard of living, involving more varied 'wants' on the part of the individual. Reasons have already been given for believing that self-containment involves a lower standard, making this enlargement of demand more difficult. Even if it does not, there is no certainty that the demand for the products of luxury trades in Western countries is indefinitely elastic. Some contraction of demand due to the slackening rate of increase of population may be expected. The nineteenth century was the age of a rising standard of living, the increased demand being mainly for non-luxury products. This demand was elastic and the upward curve steep, because it was an age of emergence from poverty in goods and services. The curve has flattened as basic wants tend to become satisfied. There is still room for the repetition of the phenomenon of the steep rise in poor agricultural countries—India, China, Africa—but not in the West. In the West total demand for staple products may tend to fall with the higher age-constitution of the population, since the most elastic demand for standard goods and services is among the young.

Divergence between Political Conception and Economic Necessity. The fundamental difficulty appears to lie in the wide gulf between political conceptions of society and the necessities of the industrial world. In order to translate machine industry and mass production into terms of increased leisure and a higher standard of life, access must be had to an ever-expanding body of consumers requiring the products of machine industry. The modern scale of machine production demands freedom of movement of men, capital, and the products of industry. Such freedom has never been complete; it has been and is being progressively curtailed. Industry on the present scale demands world markets; it is the strong man bound in the chains of nationalism. Production and consumption alike are fundamentally international. Transport and communications are more efficient than ever before. The raw materials of any single industry are assembled from all quarters; the ordinary dinner-table lays contribution on all the continents. Civilized man's demands are no longer met locally, they are met from all over the world. This being so, industry stretches out tentacles all over the world, and searches increasingly for means to circumvent the various barriers set up to bar movement. But political thought works in a diametrically opposite direction: it seeks isolation, autarky; and, paradoxically,

industry itself concurs in the doctrine. In every country industrialists demand outside markets, and often at the same time high protection in their own markets. The Industrial Revolution posited for its successful development the opening up of international markets. This widening of markets was accomplished during the latter half of the nineteenth century. The twentieth century seems to be reverting to the notion of closed national units after the manner of the eighteenth century. Throughout history philosophical ideas and political systems have tended to adapt themselves to the economic conditions of the people. But we have in the world to-day a creed which is fundamentally opposed to those basic conditions. The complete failure to secure any adaptation of the nationalist mentality to the logic of economic facts is very largely responsible for the present chaos. Science and the machine have brought abundance in agriculture and plentiful supplies of commodities of all kinds. But the means of distributing this abundance fail, when restrictions in accordance with the prevailing nationalist creed deprive would-be consumers of the means of obtaining the benefits of this abundance. 'The bread-pail is hung too high.'¹

Why Self-sufficiency is advocated. Why, in view of the obvious disadvantages, has the idea of self-sufficiency gained ground? Undoubtedly the main incentive has been the spectacle of mass unemployment and the hope of reducing it by retaining the home market for the products of home labour. Disorganization of prices and currencies has increased the pressure of cheap imports. It is argued that the impoverishment involved in self-sufficiency is a lesser evil than the perpetual collision of policies designed to make exports exceed imports.² High agrarian protection was stimulated in this way before the general slump began. But the movement was strong before it was reinforced by the effects of the depression, and indeed dates back to the origins of nationalism. Since the War the forces making for extreme economic nationalism have been strengthened. Agrarian protection in Europe has been based on the necessity of providing alternative employment for workers rejected by industry and of preventing the drift to the towns—it is pointed out that where the industrial unemployed worker still has connexions with the soil he need not be destitute;³ on the fear of blockade in war-time and a

¹ For an illuminating discussion of these problems see Delaisi (F.), *Les Contradictions du monde moderne* (1925, Paris).

² For an exposition of the motives see Sir Arthur Salter, himself a convinced internationalist, in *Proceedings of the Academy of Political Science*, April 1934, vol. xvi, no. 1, p. 119.

³ France is the outstanding example of a 'balanced' economy—Professor Ohlin calls her 'self-contained'. She is now in a bad time, but this is possibly

determination to avoid a repetition of the experience of the Central Powers in the last war; and, in some cases, less openly, on the maintenance of a reservoir of 'sturdy peasantry' for recruitment in war.

Self-sufficiency more feasible under Modern Conditions. It has already been pointed out¹ that there are many reasons for the policies of industrial protection adopted by the newer countries and that the process is likely to continue; also that industrialization is rendered much easier by the simplification of technical processes. Modern technical and scientific methods have diminished the advantages and the relative economies of industrial production in the older countries. At the same time improvements due to biological science and technical knowledge have made intensified production in agriculture and a consequently higher degree of self-sufficiency possible in the industrial countries; the same processes applied in the newer countries increase the export surpluses to be disposed of.²

Moreover, stress is laid on the importance of close contact between producer and consumer, on the diminishing share of primary commodities in national economy and the increased importance of 'service' industries. Mr. J. M. Keynes has argued that over an increasingly wide range of industrial and perhaps agricultural products it is doubtful whether the economic cost of national self-sufficiency is great enough to outweigh the other advantages of bringing the producer and the consumer within the ambit of the same national and financial organization. As wealth increases, both primary and manufactured products play a smaller relative part in the national economy compared with houses, personal services, and local amenities which are not the subject of international exchange; with the result that a moderate increase in the real cost of the former consequent on greater national self-sufficiency may cease to be of serious consequences when weighed in the balance against advantages of a different kind.³

In short, relative self-sufficiency is easier than it was, and other considerations than purely economic ones enter increasingly into national commercial policies. A compromise between the notions of

because she has controverted one of the conditions requisite for weathering a slump—cheap money. This position is chiefly due to political causes, but then her previous resistance to crisis may have been due to causes other than being self-contained—for instance, being so much a country of small independent proprietors and independent small enterprises—providing a large element of stability.

¹ In the chapters on the International Distribution of Industry.

² For the effects of the reduction of European demand for food on overseas food-producing countries, which is partly due to slackening population as well as to agrarian policy, see the chapter on Population.

³ *New Statesman* (London), July 8, 1933, pp. 36-7.

production for profit and production which may be unprofitable, but is held to be socially desirable, has to be struck at some point.

Export Trade essential for Western Europe. Clearly employment could be increased if there were no limit to the sacrifices demanded. In democratic countries there is a definite limit. On the economic side the limitations are evident under modern conditions of large-scale production. Very few countries supply themselves with all the necessary raw materials, not even the U.S.S.R. or the United States. The new countries must export their food and raw materials, and industrial countries with limited areas can only maintain a reasonable standard of living with the help of their export trade. It may be possible to secure the home market in Germany, France, and the United Kingdom for steel, but the plant in these countries cannot be kept going and the labour force attached to the industry maintained without export on a considerable scale. Indeed, one of the objects of a 'reasonable' tariff is to secure a sufficiently stable home market to permit of steady output on a considerable enough scale to maintain capacity for export. The difficulty is to prevent 'dumping' of the surplus under these systems; the efforts to meet that difficulty by international agreement have already been described in the chapter on Cartels. The export market being indispensable to the labour force of western Europe, the main problem of the demand for labour in important groups of staple industries is to maintain and extend export. Evidently any adoption of tariff policies aiming at the complete abolition of the differential costs of production and consequent advantages to the buyer and seller which provide the motive for international trade threatens the maintenance and extension of that trade.

In fact no country has carried the doctrine of economic nationalism to its logical conclusions. Indeed, Governments often pursue mutually destructive policies in their desire to reduce imports and maintain exports.¹

¹ 'The most disastrous feature of many national policies at the moment is not merely that they conflict with each other but that they conflict with themselves; that they are opposed not merely to other interests but to the laws of arithmetic. The one fundamental fact that no country can evade is that it cannot sell more than it buys except so far as it lends or invests the difference. A positive balance of trade is possible, but a permanently positive balance of payments is a contradiction in terms. Unhappily a country may by unco-ordinated action in different directions attempt, though it cannot achieve, the impossible; and the attempt takes the form of destroying external trade. There have been periods in the past when countries have done harm by deliberate attempts to achieve a balance in their external trade which, with the currency system as it then was, would better have looked after itself' (Sir Arthur Salter in an article in *The Times*, 'The Road to Recovery', Sept. 25, 1934.)

2. *Protective Policies*

Effect of new British Policy. Since the experiment of a reasonable measure of protection is a new one in Great Britain, the determination of the effects of the Import Duties Act of February 1932 and of subsequent modifications is of considerable importance. The original Act imposed a flat-rate duty of 10 per cent. on foreign imports, with certain exceptions. Broadly the 'additional duties' on manufactures recommended in April took the form of 10 per cent. (making 20 per cent. *ad valorem* in all) as the general level on fully manufactured articles; 5 per cent. (making 15 per cent.) on some goods which were in the nature of raw materials; and 15 to 20 per cent. (making 25 to 30 per cent. in all) on certain articles which could be defined as luxuries and semi-luxuries. Except upon iron and steel there were comparatively few duties over 30 per cent. Since that time the Import Advisory Committee have adjusted the duties within certain groups, and in some cases specific duties have, for convenience, been substituted for the *ad valorem* basis. Under the heading of machinery, which accounted in 1934 for £11 millions of imports, licences for free import have been given for goods amounting in value to over £1½ millions of kinds not manufactured in this country. Considerable additions have been made to the free list in other groups. On fully three-quarters of the goods actually imported under the Import Duties Act the tariff at the end of three years' working does not exceed 20 per cent. Some of the decline in imports is attributed to the abandonment of the gold standard by the United Kingdom, and to the policy of the Bank of England in easing credit, and part of the general improvement since 1932 is due to improvement in general world conditions, to which Great Britain, as a great trading nation, is peculiarly susceptible. But it is maintained¹ that an intangible but very important effect of the tariff has been increased confidence among industrialists, evidenced in the development of many new lines of production of goods formerly imported. The duties have also led to the erection of factories in this country by foreign firms employing British labour.

It is equally difficult to assess the results of the Ottawa Agreements, and to say how much of increased Empire trade is due to improved general conditions and how much to the Agreements; and it is still too early to determine their repercussions on foreign trade.²

Bilateral Agreements. It is impossible here to indicate the extent

¹ See a special article in *The Times* of Feb. 21, 1935.

² See a paper read by H. V. Hodson at Chatham House on Feb. 19, 1935.

of the various restrictions on trade familiar to readers of the reports of international conferences, but something must be said of a development, in the nature of barter,¹ adopted recently in the effort to circumvent some of the difficulties of exchange restrictions, by bilateral agreements.

The League of Nations in 1934 published the results of an inquiry into the effect of these bilateral agreements.² The figures given suggest that 'reciprocity' has increased at the expense of 'triangular' trade (though the revival in that year made imports of raw materials essential and upset some calculations); that bilateral agreements, even though they aim at expansion of the sale of a particular product, tend to reduce 'the balance of total trade out of which debt service payments and withdrawals of short-term funds have largely to be financed'.

Import quotas have effectively reduced triangular trade, and may perhaps account to some extent for some part of the difficulties of trade and employment in France and Switzerland, both of whom have made extensive use of the system. 'Both', says the writer of the *Review*, 'have been successful in reducing their passive balances of trade with individual countries, but, as the quotas have implied an abandonment of the policy of buying in the cheapest market and a restriction of the supply within their frontiers of certain commodities, their domestic prices have been maintained on a level which, as regards some commodities at any rate, is no longer competitive. Their exports have accordingly suffered—the previous export surplus in their trade with numerous countries has almost disappeared, and their total trade deficit remained higher in 1933 than in 1929.'

Other examples may be given of the effects of quotas on the countries imposing and the countries subjected to the system. They are especially serious for countries dependent mainly on export of one or two products (Greece and Chile are examples) which must rely on triangular trade. Certain industrial countries in Europe, which are mainly dependent on European countries for their exports but must import raw materials from other continents, are also dependent on triangular trade, but have nevertheless been driven to adopt bilateral policies to secure immediate advantages.

Pending any general consideration of tariff policy such as was contemplated at the abortive World Conference, the British Government have initiated a series of bilateral agreements with different

¹ For the extent of the return to barter and for various advocacies of the system see Milhaud (E.), *Ending the Unemployment and Trade Crisis* (1935, London).

² *Review of World Trade, 1933* (1934, Geneva).

countries, whereby each country agrees to take a definite quantity of specified products of the other country or to confine tariffs within fixed limits. Such agreements have certain immediate advantages to the supplying trades concerned, but so long as their scope is limited, there are disadvantages, for example, the partial exclusion of Polish coal from Scandinavian markets has led to increased competition of Polish coal with Welsh coal in other markets.

Discontinuity in Tariff Policy. Since the nations have embarked on an era of restrictions as a means of securing employment for their own people, it may be as well to recognize that for some time at least the restrictive era will continue. The existence of any restriction on the exchange of goods, whether by tariff, quota, export prohibition, restriction of foreign exchange for the payment for imports, &c., means State intervention. That intervention affects the labour market in the country producing the restricted or forbidden product. If there is to be mutual intervention of this kind is it not desirable that there should be some general international agreement to decide what degree of intervention is permissible, and that notice should be given of the proposed change? Since sudden changes dislocate trade more seriously than even a high tariff, the effects of which can be foreseen, the Economic Organization of the League of Nations has repeatedly sought to secure tariff agreements on the lines of greater continuity of policy, but with little success. The principle was recognized in the Ottawa agreements, which prescribed three years before Great Britain might put a tariff on Dominion dairy products in the interests of British farmers, thus allowing a small margin of time in which the necessary readjustments might be made.

The chaos of the present system of imposing restrictions urgently requires co-ordination, not by a series of bilateral agreements but by general conventions. Unless Governments can agree to adopt measures safeguarding the labour interests of groups which have been formed to supply needs outside their own borders from sudden extinction there can be no security. The proper development would be an increased use of the facilities for consultation available in the Economic Organization of the League of Nations, and the International Labour Office. The latter body should be able to give some intimation of what amount of labour is likely to be displaced by given proposed changes in national policy. The continuance of tariffs is a fact which must be accepted, but there is no reason why Governments should continue to acquiesce in a system permitting of sudden unpredictable changes creating serious dislocations in production and employment.

CHAPTER VII

THE POPULATION FACTOR

1. *Optimum Population*

THE ratio of the working force to the total population in every country is constantly changing. The tendency is to begin work later in life and to end it rather earlier than in the past. The working life of the individual is probably on the average rather shorter on account of a later school-leaving age and the existence in some countries of retiring and old age pensions. On the other hand, the expectation of life is greater, and the two factors may to some extent balance one another. The supply factor in employment cannot be very rigidly determined, but some general calculation of present and future labour supply may be drawn from vital statistics. These estimates are obviously of great significance in the calculation of the possible future trend of employment and unemployment.

But there is no degree of general agreement on the advantages or disadvantages in this respect to be expected from an increasing or a decreasing population. The question is inevitably complicated by the consideration of the increasing pace of industry and the constant development of labour-saving appliances. The range of opinion extends from a Malthusian horror of increasing numbers to a patriotic horror of a decline in the birth-rate as an indication of national decadence. Thus we have an Italian—and to a lesser extent a German—State policy for rewarding maternal fertility on the one hand ; on the other the equanimity with which a reduced birth-rate in Great Britain is regarded ; and, in nearly all countries, stern restrictions on immigration.

Population and Food-supply. For practical purposes, however, the earlier fears of over-population, in the sense of the existence of a number of people for whom sustenance from the land was not available, has disappeared, at any rate from Western minds, in a world in which restriction of agricultural production is proposed, nationally on a large scale in the United States, and internationally in the Wheat Convention signed in London in 1933, in the Meat Agreements made by Great Britain with exporting countries, and in the barriers imposed on food imports in many countries. The existence of such restrictions shows that the theory according to which the natural limitation of fertile land was a limiting factor on population in the world at large has been generally abandoned as having no immediate force to-day, when science has opened up semi-arid territories to

wheat-growing, when the fertility of the soil can be artificially maintained, and means of transport make supplies from all parts of the world interchangeable. The difficulty lies not in supply but in extending the area of effective demand.

So long as communities were more isolated than they are to-day population could be and was restricted by the amount of food available locally. That is no longer the case now in industrialized countries with resources for the purchase of food-supplies from outside. In earlier periods want arose from sheer scarcity of food and commodities, to-day, although poverty and misery are experienced on the one hand, there is a glut of food and of commodities on the other. But though, in the West, the 'positive checks' have lost their force and the idea of a bare subsistence has been replaced by that of a standard of life, pressure of numbers on the resources available at a given time and place does still exist. The real question to be considered is the interaction between the population trend of a country and the total resources in wealth at its disposal, i.e. its capacity to produce internally the goods and services that it needs, together with a surplus of goods and services available for exchange with other countries. It has always to be remembered, however, that an increased population is, *pro tanto*, an increased productive force, and that therefore the pressure of population upon resources (including those purchasable abroad) may in certain circumstances be actually relieved by an increase in the population. The population of a given country may be said to have reached its 'optimum' at the point at which any increase of population would expand needs in a greater proportion than it would expand productive capacity, while on the other hand any decrease would diminish productive capacity more, proportionately, than it would diminish needs.

Unemployment introduces a new complication into the problem of optimum population. To the Malthusian, the existence of a large body of men and women, for whom food can be found far more easily than work, would presumably be evidence that the point of over-population was far off; whereas the same fact persuades many present-day critics that we are already, to that extent, over-populated. The contrast between the Malthusian and the 'unemployment' views of over-population can be even more simply stated, for the retort to the first is that every mouth brings also a pair of hands, while the retort to the second is that every pair of hands represents also a mouth (i.e. demand for the work of others).

National Optimum in relation to World Conditions. Each country is inclined to look on the population-employment question as if it

were a purely national one. This attitude is mistaken. 'The starting-point of any fruitful discussion of population problems to-day', writes Sir William Beveridge, 'is that the population problem for every country is a problem of the distribution of the population of the world as a whole.'¹ It is true that what is called the 'optimum population' varies, to some extent, with the natural resources of the country. In purely, or even mainly, agricultural countries, the criterion is the relation of the population to the cultivable area. A simple test of the position is whether the farms are of the right size to provide adequate maintenance. Over large areas in some of these countries they are too small. But account must be taken of the facilities for the import or export of raw materials, and the import or export of finished goods, i.e. of the demands for the services of the citizens of the country in question outside its boundaries. That demand varies with general world conditions. What may be an optimum density at one stage and under certain world conditions may not be so at another. Professor Carr-Saunders writes:

'In fact it is impossible to say whether a highly industrialized country like Great Britain is over-populated in the strict economic sense. The number of people which it is desirable on economic grounds to have in a country, which enters as largely as Great Britain does into world trade, depends upon factors, such as tariffs, which affect the amount and direction of international trade. Such a country may be over-populated one day and under-populated the next. What can be asserted of Great Britain is that it is congested, which means that on sociological grounds there are enough, if not too many, inhabitants. It is easier to assess the position of a country like Poland which is mainly agricultural. Official Polish figures in 1921 put the surplus population per kilometre as 5.5 persons. This would mean a total surplus of some three millions in 1931, and the population is now increasing by about 400,000 a year. It is even less easy to say anything about the population-carrying capacity of the new countries. But it can be asserted without fear of contradiction that, if they are to make the most of their great possessions, they will need to augment their numbers for many decades to come.'²

Perhaps the best test of 'optimum density' would be whether the real return to labour is steadily rising. Even that fact is not easily determined, as the difficulty of estimating real wages shows.

2. *International Statistics*

Since industrialized countries look for expanding markets and fear industrialization of new areas and consequent increase of competition

¹ *Unemployment: A Problem of Industry* (1931, London), p. 374.

² 'Migration Policies and the Economic Crisis', by Carr-Saunders (A. M.), *Foreign Affairs*, New York, July 1934, p. 668.

for industrial goods, and since the tendency of agricultural countries with a congested population is to develop industry, the trend of the international distribution of population is important to all countries.

The figures of population available are tentative outside Europe and North America, but they provide an indication of the trend of population in the last twenty years. The following table shows them continent by continent, with the territory of the U.S.S.R. given independently.

TABLE LXVIII
Population by Continents¹

<i>Area</i>	<i>1913</i>	<i>1933 or latest estimates</i>	<i>Increase per cent.</i>
	(In millions)		
Europe	353.0	386.2	9.4
U.S.S.R.	144.0*	168.0	16.6
Asia	957.1	1,075.7	11.0
North and Central America .	133.5	172.7	29.4
South America	56.5	88.8	57.1
Africa	127.1	143.2	12.7
Oceania	7.6	10.1	30.4
Total World	1,778.8	2,044.7	14.4

* Post-war area.

By far the highest ratio of increase is in South America, still only partially developed and capable of supporting an increased population. The European advance is relatively slow.

Birth- and Death-rates. The growth of population depends on the relation between the birth- and death-rates, or more precisely (a point stressed by Professor Kuczynski²), on the fertility and mortality of women of child-bearing age, for the extension of life beyond the child-bearing age cannot offset a reduction in fertility. Table LXIX shows the average birth- and death-rates and the natural increase per 1,000 inhabitants for certain countries in the period 1926-30, and indicates whether the rate is increasing, decreasing, or practically stationary, as compared with the previous quinquennial period: i.e. whether the increase or decrease is progressive.

Declining Rate of Increase in Europe. These figures indicate that in the European countries the rate of increase of population, calculated by the excess of births over deaths, is slowing down, even in

¹ Population estimates from *International Year Book* of the Institute of Agriculture, Rome. Later corrected estimates for the U.S.S.R. put the population at 165 millions.

² Kuczynski (Robert R.), *Fertility and Reproduction* (1932, New York), and *The Balance of Births and Deaths* (1928, New York).

TABLE LXIX

Natural Increase or Decrease of Population (1926-30 average)

Country	Birth-rate per 1,000 inhabitants	Death-rate per 1,000 inhabitants	Annual rate of excess of births over deaths
<i>High birth-rate</i>			
Egypt . . .	44.4 inc.	26.2 inc.	18.2 inc.
Argentina . . .	30.4 dec.	13.5 dec.	16.9* dec.
British India . . .	33.2 inc.	24.2 dec.	9.0 inc.
Japan . . .	33.5 dec.	19.3 dec.	14.2 inc.
Palestine . . .	47.3 inc.	23.7 S.	23.6 inc.
Bulgaria . . .	33.1 dec.	17.9 dec.	15.2 dec.
Italy . . .	26.8 dec.	16.0 dec.	10.8 dec.
Poland . . .	32.2 dec.	16.8 dec.	15.4 dec.
Rumania . . .	35.2 dec.	21.2 dec.	14.0 dec.
R.S.F.S.R. . .	44.1† no information	24.1† no information	20.0†
(Europe only)			
Yugoslavia . . .	33.9* dec.	20.3 S.	13.6 dec.
Fed. Malay States . . .	32.7 inc.	27.4 inc.	5.3 inc.
<i>Low birth-rate.</i>			
United States . . .	19.7 dec.	11.8 S.	7.9‡ dec.
Germany . . .	18.4 dec.	11.8 dec.	6.6 dec.
France . . .	18.2 dec.	16.8 dec.	1.4 dec.
United Kingdom . . .	17.2 dec.	12.3 S.	4.9 dec.

* 1926-9.

† 1921-5.

‡ Provisional figures.

(Compiled from League of Nations' *Statistical Year Book*. The words inc. and dec. indicate whether the rate is greater or less than the average for 1921-5. S. indicates stationary.)

those which, like Italy, Poland, and Rumania, still have a high birth-rate. France is rapidly reaching a state of equilibrium, and Great Britain shows a comparatively low rate of increase.¹ The United States figures approximate to those of Germany. India and Japan show an improvement in the death-rate and an expanding rate of increase, in spite of a fall in the Japanese birth-rate. Chinese figures are so speculative that they are omitted.²

Dr. R. Kuczynski has calculated that in France the net reproduction rate is already less than unity. Examination of fertility rates

¹ In Germany, France, Great Britain, Denmark, and Switzerland for the year 1929-30, and in Norway for the year 1930-1, the corrected number of deaths exceeded the corrected number of births. (Ferenzi, *Revue économique internationale*, May 1934, p. 367.)

² Since these pages were written figures for 1931 to 1934 have become available. They show a slackening rate of natural increase for every country, with the exceptions of increases in Ceylon, British India, Federated Malay States, Palestine, Philippines, Spain, Irish Free State, Lithuania, and Yugoslavia; in France, the Netherlands, Switzerland, and Portugal there was little change. In 1934 natural increase was 0.9 per 1,000 in Austria, 1.0 in France, 7.1 in Germany (a rise as compared with 1930-3), and 3.3 in the United Kingdom.

in western and north-west Europe lead him to the conclusion that 'according to the fertility and mortality in western and northern Europe in 1926, 100 mothers gave birth to 93 future mothers only. With the fertility of 1926 the population is bound to die out unless mortality of potential mothers decreases beyond reasonable expectations. And fertility continued its downward path in 1927'.¹ It would seem, therefore, that the populations of western and northern Europe will gradually decline, since they are not replacing themselves, unless there is (a) a considerable decrease in the mortality rates of girls and of women of reproductive age, or (b) increased fertility of those who survive. The position in the British Dominions is not very different. Professor Carr-Saunders expresses the opinion (in a note to the Study Group) that eastern and southern Europe will probably increase their populations by a quarter to a third of the present total before stabilization sets in. Russia has still a large increase in sight, but there are signs there also of a decrease in fertility.

It is generally agreed that, if present trends continue, the population of England will reach the stationary point somewhere about the middle of the present century.² Similar calculations have been made for other countries. Thus the German Statistical Office has estimated that populations in north, east, and central Europe will become stationary in the second half of the century, and in some countries earlier; in France in the present decade, and in Great Britain about 1950. A presidential committee in the United States puts the maximum population of that country at 150 millions in 1980.³

Increase outside Europe. The Indian Census Report, published in 1934, gives the history of population in India for six decades. Decades with very small increase have alternated with decades of fair increase, according to the available figures, which have certain deficiencies. There appears to be an increase in the birth-rate, and there is a tendency to improvement in mortality rates. The future population development in India appears to depend on whether prosperity increases. During decades with famine and pestilence there is little increase. The figure is less predictable than in Japan. In India population is very much on the margin. 'Japan has raised herself above the pressure of the crude checks on population; India has not.'⁴ The population of Japan by 1950 is expected to be in the neighbourhood of 78 to 80 millions, and the working population (ages 15-60)

¹ *Balance of Births and Deaths* (1928, New York), p. 54.

² See article by Dr. Grace Leybourne (*Sociological Review*, April 1934); cf. Dr. Snow (*Journal of the Royal Statistical Society*, 1935, Pt. ii).

³ Ferenczi, *Revue économique internationale*, May 1934, p. 367.

⁴ Professor Carr-Saunders in a note to the Study Group.

is expected to increase in twenty years by 10 millions. Even if half of these are women, and no large proportion of the women are compelled to work (a large assumption), the problem of providing work is a serious one. There are signs¹ that the tide is turning, the principal indication being the higher age of marriage, due to a rising standard of living; but it is doubtful whether that standard can be maintained. The *children already born* in the last fourteen years will make the problem a pressing one for many years to come. Even a fall in the birth-rate will not begin to solve the problem in this generation.

But population forecasts must be treated with some reserve. As far as Europe is concerned, a change in the migration of certain countries might profoundly affect the situation. Mass propaganda, such as that conducted in Italy and Germany, may slacken the tendency to the conscious restriction of births. In any case there may be obscure factors at work independently of birth-control in the reduction of the fertility rates in the white races. The history of increase in populations in the past requires much elucidation before any confident forecasts of development can be made. All that can be said is that there are clear indications of heavy increases to come in Asia and in South America and perhaps in Africa, and a slackening rate of increase in the white races, among whom social habit has changed to such an extent that any reversal of the present trend is hardly likely and would certainly be extremely slow in any case. 'What governs the situation is that the white races have adopted or are adopting the small family system, whereas the coloured races show no signs of doing so.'²

3. *Effect of Increase in Population in congested Eastern Countries*

Industrialization inevitable. It is important for our purpose to realize that the increase in Japan, China, and India means an increase in industrialization, and a tendency for Asia (and perhaps to some extent Africa and Australasia) to be provided with consumers' goods from Asiatic factories with low labour costs permitting exceedingly cheap production. Therefore the population-increase, compelling industrialization in these countries, has importance for Western countries. Trade between Europe and Asia may not eventually be less, but it is likely to change its character.

¹ Henkelmann (W.), in 'Population Development, Wheat Production and Wheat Trade of the World', in *International Review of Agriculture* (Nov. 1933, Rome), quotes the Japanese biologist, Dr. Asajiro Oka, as giving evidence of coming decline in increase in Eastern Asia. Population in Japan increased from 63 to 67½ millions between 1929 and 1933.

² Professor Carr-Saunders in a note to the Study Group.

Asiatic Standards of Living. In a purely agricultural community, or in a country mainly agricultural like India, it appears that, other things being equal, in the last resort the pressure of population on the means of subsistence, i.e. on the available land, by lessening the return to the individual, involves a falling standard of living. Dr. J. H. Hutton, in his Report (1934) on the Indian Census of 1931, suggests that the real difficulty is to cultivate on anything like economic lines. The number of individuals that can work on a given area of ground is limited; and though the food-product may be ample for more than that number, a large increase in the population must lead either to excessive subdivision of the areas cultivated, or to the existence of a floating population not engaged in agriculture who have nothing to exchange with the producers for the food which they require. The employment of this surplus in industrial activity is required if the difficulty is to be met.¹

In Japan² annual consumption of rice per head rose in the twenty-five years preceding 1923 from 0.95 to 1.15 koku. The import of wheat has increased. These and other considerations have led Japanese economists to the conclusion that there has been a considerable rise in the standard of living. Population in the same period had risen from about 43 to 58 million people. The concurrent advance in population and in the standard of living, as in nineteenth-century England, was only made possible by industrialization, since the extent of the cultivable area relative to the population is small. The average farm has an area of about 2.7 acres, and supports an average of six persons. The authorities realize that the most must be made of the available food, since imports of raw materials are essential and large imports of food therefore undesirable. The Japanese, with characteristic thoroughness, have made exhaustive studies in nutrition, and have applied their results to the meals served in factories. The Institute of Nutrition has worked out a method of husking and glazing rice which preserves its nutritive value and deprives it of harmful qualities, and has drawn up recipes and menus for cheap and nutritious meals.

As time goes on, the 'reasonable standard of life' concept is being substituted for the Malthusian one of 'pure subsistence'. Professor Condliffe, writing of population-pressure in the Pacific area, says:

'It is, indeed, essential to realize that the heart of the population problem was hardly touched by Malthus. It is not to be found in the final appearance of such positive checks as starvation and misery. Long before

¹ *The Times*, July 3, 1934.

² See Ayusawa (Iwao F.), 'The Population Problem and Industrialisation in Japan', *International Labour Review*, Oct. 1927.

that point is reached by any ambitious modern people the pressure of numbers upon resources will aggravate almost every social problem.¹

The industrialization of certain Asiatic areas, therefore, appears to be essential if the growing population is to be maintained on any reasonable standard.

4. *Significance of slackening Increase in Europe to exporting Agricultural Countries*

Future of Food Imports into Europe. The slowing down of population increase in Great Britain and in consuming markets in Europe is serious for agricultural exporting countries, and is made more serious by European agrarian policies. It may fairly be said that the future of the agricultural situation in those countries is to be measured by the 'fundamental changes which have taken place on the side of demand, in the check in the population increase precisely in the importing countries in the world market'.²

Since the new areas were developed in the expectation that the market for food in industrial countries would continue to develop, the changed situation may demand reconstruction of agriculture, which would have far-reaching effects on world economy. In the pre-war period Great Britain adjusted her commercial and industrial machinery to provide for an annual increase of about 2 per cent. in total food-supplies, and this necessitated an annual increase of about 5 per cent. in imports of foodstuffs. Between 1911 and 1926, however, total consumption (by weight) of foodstuffs increased by less than $\frac{1}{4}$ per cent. per annum. 'This simple fact', writes Dr. E. C. Snow, 'seems to be at the bottom of many of the world's economic troubles. Australia and Argentina, for example, have organised themselves in the post-war period to expand their production more or less at the same rate as in the pre-war period. . . . They do not appreciate yet the simple facts about the cessation of growth of population in this country—their chief market.'³

5. *Decreasing Rate of Increase and the Home Market*

Proportion of Export to Total Production. Since the home market in most countries absorbs the major part of production the growth or slackening of population means important variations in production and the consequent demand for labour. The Censuses of Production show that exports of British products represented only 27 per cent. of the total output of the country (both valued at the place of produc-

¹ 'The Pressure of Population in the Far East', *Economic Journal* (London), June 1932, p. 205.

² Henkelmann, op. cit., pp. 424-5.

³ *Journal of the Royal Statistical Society*, Part ii, 1935, p. 259.

tion) in 1907, 26 per cent. in 1924, and about 20 per cent. in 1930. The overseas trade of Germany was estimated at 16 per cent. of the total production in 1928, and the export trade of the United States is only 6 per cent. of the national output. Professor Ohlin estimated that in 1919-23 exports as percentage of total production for various countries were as follows: United Kingdom 23, Canada 29, United States 10, Germany 23,¹ Japan 20.² The size of the domestic market is, therefore, the main basis of the size of staple industries and the number of workers employed.

Without entering into the interesting and important (but very controversial) question whether the great growth in population in Europe, from 187 to 401 millions,³ in the nineteenth century was the cause or the result of industrialization, or whether other causes were mainly responsible, it may fairly be said that an expanding population is obviously the easiest basis for expanding production.

Limiting Factor in Production. An exposition of the thesis that the slackening rate of the growth of population, taken in conjunction with the rapid growth of labour-saving devices, contributes a limiting factor on the growth of industrial employment, is provided by Dr. E. C. Snow.⁴ With the tendency towards a stationary population in Great Britain there can be little elasticity for those industries producing consumers' goods unless they have some special opportunities for export. 'For some decades they have catered for a market expanding by 10 to 12 per cent. in a decade. . . . Now it is increasing at only 5 per cent. in a decade, and in ten years may hardly be increasing at all. . . . The extension of industries for war purposes has no doubt aggravated matters and the habit of ascribing our difficulties to the circumstances of the War has also prevented our seeing and appreciating the actual facts as soon as would otherwise have been the case.'

Changing Demand. But the factor of the extent of the home market measured by heads is not the only criterion; another important one is its wealth and its consequent potentialities of absorption of commodities and services. Man is an insatiable creature always finding new wants, and with a rising standard of living he has tended to spend more of his income on comforts and luxuries as compared with

¹ In the last quarters of the years 1931, 1932, and 1933 the proportion in Germany was 36, 26, and 19 per cent. respectively; in the first quarter of 1934 16 per cent. ² *International and Interregional Trade*, p. 248.

³ For the various estimates see Professor Willcox, 'Populations of the Earth', in *International Migration*, vol. ii, pp. 33-82, Publication of the National Bureau of Economic Research, Inc. The estimate includes Russia.

⁴ Snow (E. C.), 'The Limits of Industrial Employment', *Journal of the Royal Statistical Society*, Part iii, 1929, and Part ii of 1935. The passage cited is from the 1929 paper, pp. 335-6.

'necessaries' and to seek more leisure. The possibility that even with a stationary population, if invention does not fail (which seems very unlikely), we may have an increase of production, of wealth and of welfare, is by no means to be excluded. Once the necessities of life are satisfied, the consumer more and more tends to demand a little of many things rather than much of a few things. His 'area of caprice' has widened, and to that extent he has made the economic structure less stable and employment in particular occupations less secure.

In a population with a rising standard of living there seems to be an inexhaustible demand for 'services', including under that term transport, amusement, better distribution, health and education services¹ Naturally the character of demand and the extent of the 'area of caprice' is largely determined by the distribution of wealth, and—it may be added—by the extent of leisure: in a strictly Socialist State there would be no demand for luxuries until every one's standard of living had reached the point where the purchase of necessities ends and that of luxuries begins.

Professor Cannan has pointed out² that aggregate demand is not to be satiated for all commodities, though it may be for any particular product. If a cloud of workers descended on Stow-on-the-Wold or Bury St. Edmunds and said they were all mustard-makers, they could not find employment as such, however intensive the efforts made by advertising or otherwise. It is wrong to assume that because increase in the amount of mustard or of any other single product makes it difficult to sell that product, therefore an increase in the supply of all products will make it difficult to sell them all.

In other words expanding mass production, in so far as it is concerned with articles of primary necessity, requires an expanding population, after a certain standard of living has been attained, or alternatively a switch-over to mass production of goods hitherto in the luxury class, with a corresponding rise in accepted standards of living, which cannot be raised indefinitely simply through an increased consumption per head of the same products as before. The structure of demand must change.

Mr. Brinley Thomas writes (in a note to the Study Group):

'The statement that mass production implies mass consumption may lead to wrong emphasis in dealing with the significance of a decline in the rate of increase of population. The important distinction is between commodities according to their elasticity of demand. It is true that there will

¹ See articles by Professor Cannan in the *Economic Journal*, March 1930 and Sept. 1932.

² Presidential Address to the Royal Economic Society, *Economic Journal*, Sept. 1932.

be difficult problems of adjustment for producers of goods satisfying easily satiable wants, because the aggregate demand will fall while demand per person will remain more or less constant. The effect on the demand for houses would deserve close analysis. But there is a large range of commodities where the fall in the number of purchasers will be much more than offset by a rise in *demand per person*. Whether this change in the make-up of total demand will imply greater instability for production is a question difficult to answer. Mr Loveday in *Britain and World Trade* gives reasons for thinking so. If this is true, there will be two factors increasing the relative degree of unemployment due to imperfect adaptability: (a) changes in the composition of demand—widening of “area of caprice”, (b) the reduction in the average degree of mobility of the Labour supply.’

6. *Effects of Change of Age-constitution of Population*

These considerations with regard to the future of employment in Great Britain apply, with variations according to the circumstances, to the other great industrial countries

Population of Working Age. General forecasts of population may be supplemented, for the purpose of determining the probable supply of labour, by forecasts of the population of working age. A forecast of this kind for the principal industrial countries was prepared by Dr. A. L. Bowley for the World Economic Conference of 1927.¹ In the West, with a declining rate of increase and a longer expectation of life, there will be fewer workers at younger ages and more at older ages.

Changing age-distribution of the population has important effects both on the supply of labour and on the demand for its products. In the interval between the last two censuses the age-distribution of the populations generally shows an increased proportion, both among men and women, of the population of working age, and of those over the age of sixty-five, and a decreased proportion of children under fifteen. In France, where the process of slowing down began early, there was little change between 1921 and 1926. The weight in high age-groups is higher in Western than in Eastern Europe, being heaviest in France and less in the Balkan States and in Russia and the Border States. In the Far East the situation is reversed: the young age-groups predominate in Japan. In the British Dominions the weight is still in the younger groups, but the birth-rate is falling.² The tendency towards greater weight in the higher age-groups may be expected to be progressive.

¹ League of Nations: *Estimates of the Working Population in Certain Countries in 1931 and 1941* (1926, Geneva).

² Emphasis on the fact of the altered age-structure of the population and its effect on supply of and demand for labour must not be taken to mean that the Group necessarily favour the policy of encouraging population-increase. It is

The following forecast is given with due reservations for England and Wales:¹

TABLE LXX

Actual Age-distribution in England and Wales in 1931 and Estimates for 1941 and 1951

Age-groups	1931	1941	1951	1931	1941	1951
	in thousands			percentages		
0-15 . . .	9,521	8,186	7,535	23.83	20.31	19.03
15-30 . . .	10,286	9,595	8,411	25.75	23.81	21.24
30-45 . . .	8,521	9,477	9,325	21.33	23.52	23.55
45-60 . . .	7,004	7,241	7,857	17.53	17.97	19.83
60-75 . . .	3,800	4,725	5,096	9.51	11.73	12.87
Over 75 . . .	820	1,072	1,371	2.05	2.66	3.48
Total . . .	39,952	40,296	39,595	100.00	100.00	100.00

At the present time a large proportion of the working population in the chief industrial countries are young people. The percentage of young people among total women workers has always been greater than among men because many women retire on marriage. The International Labour Office has worked out the percentage of young wage-earners in the working population.²

TABLE LXXI

Percentage of Persons under 24 years of Age in the Total Wage-earning Population

Country	Year	Percentage of total wage-earners	
		Men	Women
Germany . . .	1925	36.5	56.0
United States . . .	1930	20.5	37.3
Great Britain . . .	1931	25.2	47.0

For Germany the figures represent the percentage of young workers in the whole wage-earning population, while the data for the United States and Great Britain refer to the occupied population.

rather a plea for the recognition of the facts and their implications as an essential part of the whole problem of employment.

¹ Figures compiled from Dr. E. C. Snow's paper read before the Royal Statistical Society in Jan. 1935. See also Dr. Leybourne's figures for Great Britain in *Sociological Review*, April 1934. A German forecast, made by the Reich Statistical Office in connexion with old age pensions, for the decades up to 2000 A.D., is summarized in the *International Labour Review*, December 1933, pp. 840-59.

² *Unemployment among Young Persons*, prepared for the Nineteenth Session of the International Labour Conference, 1935.

Age-constitution of Total Population. The changes which have taken place in recent years have been compiled by Dr. Somogyi¹ for certain countries.

TABLE LXXII
Percentage Distribution of the Population by Sex and Age²

Country and date	Men			Women		
	Up to 15	15-65	65 and over	Up to 15	15-65	65 and over
Australia: 1921 .	31.7	63.9	4.5	31.8	63.8	4.4
1931* .	28.3	65.8	5.9	28.4	65.5	6.1
Austria: 1923 .	26.1	68.0	5.9	24.0	69.3	6.8
1932* .	23.8	69.1	7.1	21.7	70.4	7.9
Canada: 1921 .	33.7	61.5	4.7	35.2	60.0	4.8
1931 .	30.9	63.6	5.5	32.5	61.9	5.6
Czechoslovakia: 1921 .	30.6	64.1	5.3	28.1	65.7	6.2
1930 .	27.4	66.5	6.1	25.3	67.6	7.1
Denmark: 1920 .	32.3	61.3	6.4	30.1	62.6	7.3
1930 .	28.4	64.8	6.8	26.6	65.7	7.7
Finland: 1920 .	32.7	62.0	5.3	30.8	62.4	6.8
1930 .	28.9	65.5	5.6	27.2	65.5	7.3
France: 1921 .	24.0	67.7	8.3	21.6	68.6	9.8
1926 .	23.6	68.2	8.2	21.4	68.6	10.0
Germany: 1925 .	27.0	67.8	5.2	24.6	69.2	6.2
1932* .	24.7	69.1	6.2	22.6	70.3	7.1
Great Britain: 1921 .	29.4	65.2	5.4	26.5	66.9	6.6
1931 .	25.5	67.9	6.6	23.0	68.9	8.1
Hungary: 1920 .	31.8	62.8	5.5	29.6	64.8	5.6
1930 .	28.5	65.3	6.2	26.7	66.9	6.4
Italy: 1921 .	32.2	61.1	6.7	30.2	63.0	6.8
1931 .	30.9	61.9	7.1	28.6	63.9	7.5
Netherlands: 1920 .	33.3	61.1	5.5	31.9	61.9	6.2
1930 .	31.4	62.7	5.9	29.9	63.6	6.5
New Zealand: 1926 .	29.9	64.9	5.2	30.0	65.1	4.9
1933 .	26.9	67.3	5.8	26.7	67.5	5.7
Norway: 1920 .	33.6	59.4	7.0	30.6	61.1	8.3
1930 .	29.8	62.7	7.4	27.2	63.7	9.1
Portugal: 1920 .	35.2	59.5	5.3	30.6	62.9	6.5
1930 .	34.1	60.5	5.4	30.1	62.9	7.0
Sweden: 1920 .	30.4	62.0	7.6	28.2	62.6	9.2
1930 .	25.7	65.9	8.4	24.0	66.0	10.0
Switzerland: 1920 .	29.1	65.7	5.2	26.8	66.7	6.5
1930 .	25.8	68.0	6.1	23.4	69.0	7.6
United States: 1920 .	31.5	63.8	4.6	32.1	63.1	4.7
1930 .	29.4	65.2	5.4	29.4	65.2	5.5

* Estimates.

Mobility. The trend towards a higher age-constitution has some bearing on the question of labour supply, since it affects the mobility

¹ International Labour Office: *International Labour Review* (Feb. 1935, Geneva), p. 161.

² Calculated on the basis of the census returns for the different countries.

of the labour force. The economic disposition of the labour force 'depends not only on the movement of adult workers from industry to industry or from place to place: it is also considerably influenced by the deflection of young recruits before they become committed to any trade. If the proportion of this mobile element in the population declines, the probability is that it will be more difficult to achieve an optimum distribution of labour, and unemployment arising out of this decrease in mobility will become relatively more prevalent'.¹

Case of Older Workers. The higher age-constitution of the population has another aspect. With the rapid acceleration in the pace of modern industry (e.g. the band-conveyor system, &c') the struggle to keep up is harder for the older people, and presses more severely on the marginal worker, who is often an older one. This is particularly serious in a trade decline, as marginal workers are always the first 'lay-offs', and the last to be taken on again. Hence, in the West, one would expect the 'hard core' of unemployment to have a high proportion of older workers, and, owing to the reluctance to re-employ the old, to be growing 'harder' as they slip into unemployment. This is supported by analysis of British figures in some industries, and should be recognized as a definite problem which insurance may mitigate but cannot solve. The problem of mass unemployment is most characteristic and most urgent just in the highly industrialized countries of the West where fundamental population and social conditions provide the least hope of increased mobility.

Age-constitution and Demand. Apart from the change in the constitution of the labour market itself, a low birth-rate, fewer children under working age, means a slackening of demand for staple products greater than is the case with a higher death-rate and smaller population at the other end of life. Old people are small consumers of staple products. Their demands are likely to be declining rather than rising, but young people have high potentialities of demand for a wide range of commodities and services. They need boots and clothing constantly renewed, and large services for education and training. They are consumers only: they do not (or, at any rate, should not) compete in the labour market. The present trend of vital statistics towards a population of average higher age means a permanent reduction of one section of the population which consists of consumers only.² The demand of young children is for the simpler goods and services;

¹ Mr. Brinley Thomas in a note to the Study Group.

² For a discussion of this question see article by Professor Hersch in *International Labour Review*, Aug. 1933. For an argument to the contrary see article by Dr. Stefano Somogyi previously quoted.

the demand of adults is more complicated and more selective; the demands of the old are more restricted. A demographic change in the direction of a high age-average means a definite readjustment of production to meet a changed demand, apart from the general shifts in consumption. With a declining rate of population increase, the relative surplus in the older age-groups becomes permanent and cumulative.

There again the changes in age-distribution have different effects on consumption in different countries, according to the standard of living. For example, where no State provision exists for old age the consumption of large classes of those who have passed the age of employment will be a minimum consumption. The expenditure on young people, whether for physical, educational, or recreational purposes, notoriously varies with the standard of living.

CHAPTER VIII

TECHNOLOGICAL DEVELOPMENTS

1. *Mechanization*

Science and Invention. The facts of the prospective labour-supply have a direct bearing on the controversy surrounding the rapid progress of mechanization in the last thirty years. The situation is constantly compared with the Industrial Revolution at the beginning of the nineteenth century, and the increasing use of the machine as supplementary or alternative to human labour is credited with a large share of the growth of unemployment. There is no doubt that the mechanization of the processes of agriculture, mining, and industry is of very great importance, and that it has been revolutionary in its effects on the structure of production in the present century.

In point of fact, however, the changes in the processes of the production of goods of all sorts in the twentieth century are not so startling and so significant as were the results of science and invention in the nineteenth century; that is to say, there is probably not so much difference between the general scheme of life to-day and in the mid-nineteenth century as there was between life in the mid-nineteenth century and life in the eighteenth century. The real dividing line in the history of modern man is provided by the coming of steam-power and by the extension of communications in the nineteenth century, rather than by the acceleration in mechanical means of production and communication which we have seen in the years before and since the War. What does appear to be new in the post-war period is the pace at which mechanization is being developed, and the greatly extended size of the area in which changes are being contemporaneously introduced under demographic conditions different from those of the nineteenth century.

The machine was not new even in the nineteenth century. During the whole history of civilization there has been a continuous improvement in the tools used by men, and the problems of to-day 'derive their importance more from a change of scale than from the novelty of their nature'.¹ The process of improvement was much quicker and more sudden in the middle of the nineteenth century than ever before. In that period a very large part of the world was undeveloped, and the opening up and equipment of 'new' lands made possible a great

¹ Gregory (Professor T. E.), 'Rationalisation and Technological Unemployment', in *Economic Journal*, Dec. 1930, p. 551.

development of industry in western Europe and in the eastern United States.

The great and classic developments of the nineteenth century in machinery for spinning and weaving, the invention of the steam-engine, followed by the development of railways and the replacement of sailing-power at sea by steam-power, the use of gas and electricity for lighting, and the enormous development of machinery in every form of industry, were concurrent with enormous increase in the population, and with a rise in the general standard of living—better food, better clothing, more education, more amusement, and a better social life generally. Employment in fact increased *pari passu* with population, as the improved standard of life meant a greater demand for the products of labour.

In the present century the development of electric power and of the internal-combustion engine, the development of new processes such as the production of basic steel, alloy steels (discoveries which date back to the nineteenth century), artificial nitrogen, artificial silk, and the invention of new machines such as the automatic loom, have given man further power to develop material wealth, but not without dislocation of labour. Social organization has not yet adapted itself to the new conditions, and possibly, when the recent depression appears in its due perspective, this generation may be indicted for failure to comprehend the necessity of a changed outlook to meet changed conditions of production, just as the generation which saw the industrial revolution is now accused of justifying the miseries of that day as inevitable.¹

The Population Factor The difference in labour and other conditions must be taken into account. Dr E. C. Snow in the first of the papers already cited on the 'Limits of Industrial Employment' put the difficulty with great clearness:

'The facts regarding population have an important bearing on the effect of the development of labour-saving appliances in industry. It has been

¹ 'The hideous effects of the capitalism of the first half of the nineteenth century in Great Britain were due in the last analysis to a state of mind. . . . The destitution of the manual workers, and their consequent compulsion to become the docile slaves of the new machines, were, so Malthus taught in his "Law of Population", part of the necessary order of nature—the inevitable result of the pressure of population on the means of subsistence, which no effort of government or philanthropy could alter. It was inevitable, so the Political Economists declared in the theory of the Wage Fund, that wages should oscillate closely around their "natural" rate, which could be no more than sufficed for the day to day subsistence of the manual worker's family. . . . This natural law "seemed not merely inevitable, but also actually advantageous and beneficial to the community, for was it not the necessary basis of all riches, all refinement, all learning, and civilization itself?"' Webb, S. and B., in Beard (C. A.), *Whither Mankind?* (New York, 1928), p. 115.

an axiom of orthodox economics that the effects of new labour-saving devices leading to the production of the same amount of goods of some particular character with a diminished amount of labour, and thus leading to some unemployment, are temporary only. The theory is that this displaced labour is fairly quickly absorbed in other employment, to some extent at any rate, directly or indirectly stimulated by the extra purchasing power brought about by the new labour-saving devices. Even though the mobility of labour in this country is sluggish in comparison with that, for example, in the United States, the experience of the industrial epoch from the middle of the last century up to the outbreak of the war supports the theory pretty well. Labour was continuously being displaced from one occupation and absorbed in another, or even in another branch of the same occupation. May not this have been mainly brought about, however, by the fact that our market was increasing rapidly throughout the period due to the rapid increase of population? Is it justifiable to assume that the introduction of large labour-saving devices in an industrial community which was practically stationary would have the same effects upon the employment of labour as in a period of rapidly increasing population?¹ The general reduction of working hours to 48 per week has to some extent hidden the effect of anything that has been going on in recent years in the direction of displacing labour due to labour-saving devices. There is a tendency to look upon the establishment of the 48-hour week as a concession forced by a revolutionary proletariat following the war; but in this country at any rate there seems reason to believe that economic forces would have led to its establishment (though perhaps not so generally as is actually the case) even had there been no war.²

Leisure. If the world can be supplied with the necessary food and raw materials and with the secondary products of industry at a cost of from forty to forty-eight hours a week in labour now as against the working day from dawn to sunset which prevailed in the past, there is no reason for regret. If in the future the working day can be still further reduced to a point at which no worker need be exhausted at the end of the day, that also provides no reason for regret. The complicated machinery in use to-day requires a degree of concentrated attention on the part of the worker, demanding a shorter period of application day by day, or shortening of the working life. Moreover

¹ M. Harmel (Confédération Générale du Travail) emphasizes the same point. He writes (in a note to the Study Group) that 'the problem of technological unemployment cannot be dismissed by referring to the industrial development of the last century. The question to be answered is whether the prosperity experienced in the nineteenth century can be prolonged, or rather how it can be prolonged, for the re-establishment of equilibrium cannot be sought in regression. For this the problem of technological unemployment must be given the most importance if anything but temporary palliatives is to be sought. It is bound up with the fundamental question of the redistribution of the product of labour. . . .'

there is no reason to suppose that the application of science and of invention to the processes by which men earn their living has yet reached its optimum. In a well-ordered society based on the abundance which can be provided under modern conditions, there will be more room for leisure, and it is significant that there is more provision for occupation in leisure now than there ever was. Even from the moral and social point of view there has been an improvement in England in the last twenty years under a system which has allowed on the whole more leisure and more amusement than in the past. There is less neglect of children, there is less drunkenness, and in spite of the impression created by the publicity now given to crimes of violence, there is not so much crime.

Increased Selling Costs. Under the necessity of disposing of the products of machine industry, more attention is paid, especially in the United States, to the stimulation of demand by methods of salesmanship. If it costs less to manufacture an article to-day than it did ten years ago it often costs more to sell it. And if we take the process of production to be incomplete until the product is in the hands of the consumer it may be said that the cost of production has not been so heavily decreased as at first appears. In the American view before the slump there was no visible limit to the expansion of consumption. Signor Mussolini put the point of view when he said that:¹

‘The scale passed from the million to the thousand million. The very dimensions of production exceeded human capacity; hitherto mind had dominated matter, but now it was matter that dominated mind. Arrived at this point capitalism found its apparent justification in the Utopia of unlimited consumption. Its ideal would be the standardization of the human race from the cradle to the grave.’

2. *Evidence of Increasing Productivity*

Efficiency per Unit of Labour. The figures which follow for increased efficiency, for the reduction in man-power required, must be read with caution. They are based on censuses of production, derived from the sum of calculations from large numbers of undertakings, thus affording some margin for error.

The advance in efficiency per unit of labour is most pronounced in the United States. The horse-power of prime movers per wage-earner was 2.1 in 1899, 4.3 in 1925, and 4.9 in 1929 in manufacturing industries. In mining and quarrying it rose from 6.8 in 1919 to 9.3 in 1929. Machinery has revolutionized agriculture. In 1916, 430,000

¹ Signor Mussolini to the National Council of Corporations, Nov. 1933.

tractors were manufactured in the United States; in 1928 there were 853,000 in use in that country. In 1910, 270 combined harvest-reapers were built and in 1929, 37,000. This machine with two men can harvest 50 acres a day, and its use has spread to all countries with dry climates—Argentina, Australia, Canada, and Russia. Ploughing, sowing, and harvesting have all been revolutionized. In all other departments of farming, in dairying and cattle-feeding and sheep-shearing, in hay-making and in silage, the machine has saved labour and improved methods. Even on small farms the oil engine and the electric motor have facilitated the whole series of operations.¹ The index-number of man-hour productivity in blast furnaces was 44 in 1899, 100 in 1914, and 203 in 1927. The output per man-hour in printing, thanks to the linotype and monotype, has multiplied $2\frac{1}{2}$ times since the invention of stereotyping. The index of productivity in the automobile industry rose from 100 in 1914 to 320 in 1926, but fell to 278 in 1927.²

British Figures. In Great Britain the power in use per operative employed was 2.03 horse-power in 1924 and 2.51 in 1930, and in mines and quarries the figures were 2.85 and 3.75 respectively, the increases ranging from 10 to 55 per cent. in the various groups of trades. These are preliminary figures, but the Final Reports for 1930, so far as published, provide the following details per head of operatives employed:

TABLE LXXIII
Power installed and in use per worker

<i>Industries</i>	<i>Power installed</i>		<i>Power in use</i>	
	<i>1924</i>	<i>1930</i>	<i>1924</i>	<i>1930</i>
Iron and steel trades	6.35	7.05	5.36	5.99
Non-ferrous metals	2.61	3.45	1.97	2.63
Engineering and shipbuilding	2.02	2.22	1.70	2.04
Textile trades	2.83	2.99	2.00	2.45
Leather trades	1.68	1.92	1.43	1.72
Clothing trades	0.30	0.30	0.22	0.24
Food trades	1.76	2.09	1.58	1.87
Drink and tobacco trades	1.20	1.22	1.10	1.33
Chemical and allied trades	3.52	6.24	2.50	3.80
Paper, printing, and stationery trades	1.64	2.43	1.45	2.20

The Census of Production also provides calculations revaluing the output of 1924 at 1930 prices, and in this way changes in the volume of output can be compared. Below are some leading figures,

¹ For the far-reaching effects of mechanization in the structure of agriculture see a paper read by E. G. Nourse at the 42nd Meeting of the American Economic Association (Supplement, *American Economic Journal*, March 1930).

² *International Labour Review*, April 1933, pp. 519-23.

taken from the three volumes of Final Reports from 1930 which have so far been published:

TABLE LXXIV

Production in Great Britain in 1930 as a Percentage of 1924

Pig iron and ferrous alloys	84	Newspapers	118
Crude steel and rolling-mill products	81	Woollen and worsted	77
Ships and boats	90	Machinery	103
Copper goods	94	Electrical machinery and apparatus	133
Cotton yarns	79	Motor vehicles and cycles	153
Cotton manufactures	60	Silk and artificial silk	245
Hosiery	105	Clothing trades	109
Flour and milled cereals	94	Bread, biscuits, &c	120
Sugar and glucose	184	Beer and malt	94
Plain spirits	95	Tobacco	132
Chemicals, dye-stuffs, and drugs	105	Fertilizers, disinfectants, &c.	114
Animal and fish oils	136	Books, &c.	107
Paper and board	122		

Mr. Leak, Assistant Secretary in charge of the Statistical Department of the Board of Trade, who was responsible for the preparation of the reports on the Census of Production, estimated, in a debate on the National Income, that there was available for consumption by each person in the United Kingdom on the average a quantity of goods 'greater in 1930 than in 1924 by between 6 and 10 per cent.'¹

In spite of the difficulty of exact assessment of increase of productivity in different branches of British industry certain general indications do emerge from the census report. It has been estimated that in the six years 1921-6 productivity per worker in manufacturing industries in the United States rose by over 30 per cent. There is clearly nothing in the British Census of Production, when all price-adjustments are made, to show a rate of increase of this intensity. During fourteen years before the War, the increase in productivity per worker in the United States is said to have been 16·3 per cent., which would mean that in six years an advance nearly twice as great was made as in the fourteen years before the War. In the ten years 1919-29 the index of output per worker rose from 100 to 151. These figures need not be taken too literally, but there is reason to think that the rate of technical advance in the United States in the post-war period has been too rapid in relation to the capacity for adjustment of the other factors of production.²

¹ For the calculations on which this estimate is based see *Journal of the Royal Statistical Society*, 1934, Part iv, pp. 546-9.

² See Weintraub (D.), 'Displacement of workers through increases in efficiency and their absorption by industry 1920-31', in the *Journal of the American*

3. Rationalization

Definition. The term 'rationalization' is often loosely used to cover various processes which are taking place in the industrial world to-day. It sometimes denotes not only technical and scientific advances and the development of machinery, &c., but also the organization in a particular works leading to increased output per man-hour; and the relationship between the various undertakings composing a trade or a group of trades, i.e. the vertical or horizontal combinations in which *Konzerns* and cartels and the whole gamut of agreements ranging from the informal gentleman's agreements to the full control of a trust are included. The second of these groups is a general question of the organization of industry as a whole and is dealt with in the chapter on Trusts and Cartels. The former is reorganization of the unit and therefore a matter concerning the individual undertaking.

Factory Organization. Improved method within the undertaking itself is closely associated with mechanization. It also includes: (1) the economies in cost due to accurate timing between the different processes; to the lay-out of work and to series production; and to the speeding up of work; (2) proper attention to good hygiene and other conditions of work, in order to maintain efficiency and prevent absence due to sickness; and (3) the study of the physical and psychological reactions of the worker to the task imposed—the elimination of fatigue by rest-pauses, change of work, &c. Frederick W. Taylor in 1906 first focused attention on the 'rationalization of human work', in the sense of making the best use of the human machine by training based on motion study to secure the best results at the least expenditure of effort. The effects of rationalization of manual processes are certainly less intense and sudden than those of new mechanization, but the change secures a net economy of labour, and there is not the compensatory employment in the manufacture and maintenance of new machinery or the adaptation of the old which is provided by improvements in machinery. The rationalization of technical organization in the factory means improving the hygiene, comfort, and safety of the worker, and the lay-out of the plant, and leads to increased output; 'but as this desirable result is never produced suddenly, it is

Statistical Society, Dec. 1932; and International Labour Organization, *Unemployment Problems in 1931* (1931, Geneva), pp. 239 seq. Cf. the article by Professor Slichter on 'Price Movements, Market Shifts and Employment' in the *Proceedings of the American Economic Association*, printed as a supplement to the *American Economic Journal* (March 1928), where the increase in unemployment is ascribed to shifts in production rather than to technological factors.

very unlikely to lead to any disturbance, even temporary, of the labour market' ¹

Probably the greatest increase in efficiency in this direction may be put down to the increased attention given to timing and to the economies affected by what is known as series production. It has been claimed that, in spite of the very high wages in the building trades in New York, costs of construction of large buildings are no greater than in London, because there is never any waiting for material, and all the processes are so carefully timed that the various operations dovetail into one another with perfect exactitude, so that no man is kept waiting because he cannot get on with his section of the job.

Series Production. The classic example of rationalization is in the Ford Motor Works. The series system has been applied in many other industries. The workers' objection to it is a grave one. The band-conveyor system in the motor trade and similar devices in other trades lead to the driving of the operative by the machine; the conveyor sets the pace. There is a danger of the elimination of the worker who cannot keep up speed, and a shorter working life for those who can. It is true that mechanized processes reduce the demand for the skilled worker in the ordinary sense. It may be more exact to say that what is demanded is an entirely different kind of skill. An American authority (Henry S. Dennison, 42nd Meeting of American Economic Association) has pointed out that none of the subtleties of touch, of eye, and ear which come with familiarity can be even suspected: 'only after the new process has been going for some years do the possibilities show up. . . . They do sooner or later appear, so that the older hand at the job five times in six can make a decided showing both in quantity and quality over the green one.'

The boot and shoe industry is one which is particularly adaptable to the series system, and there have been great economies in many countries, though not perhaps quite on the scale reached in the Bata factory in Czechoslovakia, which is the outstanding example.² The boot and shoe trade in Great Britain provides examples of rationalization at other stages, rather than those of actual manufacture.³ The shoe-machinery trade is practically in the hands of a single organization, which adapts itself to the variations in demand of the shoe-manufacturing section of the trade. It provides some 400 separate

¹ Fuss (Henri), 'Rationalization and Unemployment', in *International Labour Review*, June 1928, p. 807.

² The Bata works form a 'paternal' type of organization, with housing and other facilities for the workers, which probably contribute to economy in costs.

³ *Manchester Guardian Commercial*, Annual Review, Jan. 28, 1933, p. 80.

machines for the different processes. The machines are not necessarily sold outright, but payment is made by a minute payment—a royalty, so to speak—on every pair of shoes made. The machinery makers, therefore, have a direct interest in the most efficient use of the machines. All the great shoe-making firms are on the same footing, and employ a standard sequence in manufacture; there is, therefore, little difficulty for operatives transferring to another firm, as there are the same machines wherever they go. Much of the waste of competition is avoided, except in the field of distribution, and even there the big manufacturers in many cases maintain chain-shops for the sale of their products.

Increased Administrative Staffs. Rationalization tends to an increase in the employment of black-coated workers. The reports of the British Census of Production show that in every industry, except in mines and quarries, there has been an increase in the administrative, technical, and clerical staff. Repetitive and series work inevitably requires more technical supervision and more departmental book-keeping, but part of the increase is no doubt due to the market operations increasingly carried on by manufacturers themselves. In 1930 the proportion of operatives to administrative, technical, and clerical employees was about 7 to 1 in the manufacturing industries and about 16 to 1 in the remaining industries. Contrary to the general belief, there has been no overwhelming increase in the proportion of female workers, for the fall in the number of female operatives employed counterbalances the increase in the proportion employed in clerical work.

Distributive Trades. In the retail and distributive trades the degree of rationalization in Great Britain is due mainly to the extension of 'chain' shops. Outstanding examples of these are certain dairy companies controlled by United Dairies and the Margarine Trust, Boot's Drug Stores, Messrs. Woolworth, Marks and Spencer, and certain grocery stores, and the co-operative shops under local co-operative retail societies, which are in turn affiliated to the C.W.S. It is claimed on behalf of rationalization of this kind that it tends to steady employment in the manufacturing industries, because these 'chain' shops through their comprehensive knowledge of demand are able to make very considerable contracts for standardized articles of consumption, and that they create and maintain a steady demand. Rationalization in retail trade can go much farther than it has done, and may result in the closing of many small establishments and the displacement of some labour.

The rationalization of industry on a large scale, i.e. the degree of

integration of individual undertakings, is described in Chapter V (Cartels, &c.).

4. *Relation of Mechanization to Unemployment*

Long-term Aspect. Since all figures of increased output, &c., must be treated with reserve and regarded as indications of trends rather than as absolute facts, it is difficult to assess their reactions on employment. Generally speaking, the arguments against the popular theory that mechanization is a main cause of unemployment are :

- (1) That the cheapening of the product due to the use of machinery widens the market, and tends in the end to provide more employment, not only in the processes of the trade itself, but in the distribution of the product. A classical example is the progress made in the printing trade
- (2) That mechanization produces more employment in the tool-making industries.
- (3) That the cheapening of the product, even if the demand for it be relatively inelastic, releases purchasing power to buy the products of other industries, more particularly of new industries, set up to supply the various forms of demand created by increased leisure due to improved methods of production ; or, if the product be not cheapened, but larger profits ensue owing to lower costs, that the spending or investment of these has the same effect.
- (4) That the creation of more employment in these ways is sufficient for the absorption of any labour displaced.

It is not possible to look at the history of the nineteenth century and say that these propositions are not fully justified *in the long run*, at all events during periods of expansion. The progress of invention which produces mechanization in one trade usually coincides with the application of invention to new trades, opening new avenues to labour. This condition was notably important in the nineteenth century. In times of expansion the actual decrease of employment due to mechanization is probably not so great in the long run as the increase in employment in other directions due to the same cause. The installation of new mechanical contrivances means, of course, more work for the engineering trades. It also opens up the possibility of new industries.

For example, the installation of the automatic telephone displaces telephone operators, but the actual operation of transfer from one system to another creates a large amount of temporary work for the

telephone engineers The increased efficiency and eventual cheapening of the service widens the use of the telephones, and there is a considerable demand for engineering labour in the upkeep of the system. The same scientific and technical research which led to the improvement of telephone machinery also opened up the great development in wireless telegraphy, which affords employment for a considerable body of people.

Short-term Aspect. But by any generation of workers, and by any Government faced with the need for dealing with the unemployment problem, the long-term aspect is apt to be discounted. The important fact for them is not that over a long period the demand for goods and services as a whole is elastic, nor that in the long run labour is almost completely mobile. The practical problem is the relatively short-term one, and it has two sides: first, the demand for labour (expressed in terms of the demand for the goods and services produced by it), and, second, the mobility of labour as between trades and as between localities. The second is small in respect of movement between trades in highly organized countries with strict trade-union demarcations; it is almost complete in a country, like Russia, in the full process of industrialization. Labour has been in the past remarkably mobile in America. Movement from one place to another is much more difficult in older societies, particularly in those with a relatively high age-composition.

The most serious possibility is that some workers displaced may not find work at all, i.e. may become permanently unemployed. There seems reasonable ground to expect that this may happen in cases of the rationalization of individual industries on a large scale, if the process involves the closing down of undertakings employing many men. The abandonment of redundant shipyards in Great Britain is a case in point, and accounts to some extent for the high percentage of unemployment in the industry¹.

Mr. R. W. B. Clarke, working on the data furnished by the 1924

¹ The effects of mechanization and rationalization on the labour market are serious even in more recently industrialized countries. Rationalization in the sense of improved machinery and more looms per worker (four instead of two) has made headway in Bombay. Since cotton operatives are in many cases not permanent residents but are drawn from agricultural districts, it was difficult to ascertain the increase in unemployment between the date of the last inquiry (1926) and 1933. In Bombay City about 28,000 lost their work between the two dates on account of the partial or total closing down of cotton-mills. In Ahmadabad 26,551 persons more and in Sholapur 389 persons less were unemployed in the cotton industry in 1933 than in 1926. (*Wages and Unemployment in the Bombay Cotton Textile Industry*, 1934, obtainable at India House, reviewed in *Ministry of Labour Gazette*, Sept. 1934.)

and 1930 Censuses of Production, has calculated that if production of pig iron in 1930 had been up to the 1924 level only 1,930 out of 5,630 unemployed blast-furnace workers would have been absorbed, so that 3,700 persons registered as belonging to the pig-iron industry in 1930 were surplus. There was a 30 per cent. rise in output per furnace in blast between 1924 and 1930 due to (a) the scrapping of 126 obsolete furnaces and the building of larger ones, (b) the introduction of mechanical charging, and (c) co-ordination of the processes of manufacture. He also calculated that 'the number of workers displaced in the steel melting, iron puddling, iron and steel rolling and forging industry was 30,260, with a probable error of 2,280; and if production had risen to the 1924 level, only 8,300 more workers would have been employed. The average unemployment in 1930 was 63,530 persons, and the writer therefore concludes that there were then about 55,200 surplus workers.'¹

The economy of labour by mechanization is usually on a smaller scale, and in certain industries in Great Britain special provision has been made for workers displaced. In the recent amalgamation of flour-mills, which involved the closing down of smaller mills and the concentration of an equal volume of production in larger mills employing a total smaller labour force, a Group Pensions Scheme was formed in 1930 on a contributory basis to meet the needs of displaced labour.² In the gas industry, where loss of employment is caused through amalgamations of gas undertakings, an agreement provides that compensation is payable to men displaced on a scale based on the number of years of service, the highest rate being for men of or over fifty years of age, who receive two weeks' pay for every year of service. Compensation is also payable for diminution of wages on account of amalgamation.

¹ 'Production, output per head . . . in the Iron and Steel Industry, 1924-31', *Journal of the Royal Statistical Society*, Part iv, 1933, pp. 643-4.

² In 1930 the National Joint Industrial Council of the Flour-Milling Industry established a Group Pensions Scheme on a contributory basis, the workers and the employer each contributing 1s. a week. The scheme provided a pension of £1 for each complete year of service, rendered after the man becomes a member of the scheme, plus 10s. a year for each complete year before Jan. 1931. The pension paid under the scheme may be additional to any pension payable under the State Contributory Pension Scheme. It was to be brought into operation as soon as a membership of 3,000 was assured. The scheme came into operation on Sept. 1, 1931, with much more than the minimum membership stated. But it was found that certain modifications were necessary for the financial stability of the scheme, because the periods of past service of the members were much in excess of the original calculations. The amount of past service ranking for pension was, therefore, placed at a maximum of 22 or 17 years according to the date of application. (See *Ministry of Labour Gazette*, March 1932, p. 83.)

There are no general statistics to indicate the amount of permanent unemployment due to rationalization and mechanization. It probably falls most severely on the highest age-groups.

Time-lag. The time-lag between displacement and re-employment (even when re-employment occurs) is important. That there may be new avenues open for labour does not mean that employment is necessarily waiting for those actually displaced. Even if more employment in the same trade is available elsewhere, e.g. by the opening of new factories to make use of the improved methods, there will be a gap in time and space. It is not possible for the unemployed men in the interval to 'switch off time when not in use'—to use Mr. H. M. Tomlinson's phrase in another connexion. The harmonious working-out of the classical theory demands time and a perfect system of information. In the great majority of cases, the new employment available is not of the same kind, and it is impossible that a man practised in one kind of trade or occupation should be as efficient and as likely to be selected for employment in another. The degree of mobility and adaptability of labour is a primary consideration in the possibilities of dealing with unemployment. It has been pointed out¹ that the problem of unemployment would be a simpler one if it were possible to put shipyards into a sausage-machine and bring them out the other end as cottages, and to submit cotton-spinners to a similar process and bring them out as plasterers. In fact, the tendency is for the new trades to be recruited largely from new entrants into industry, except for a small number of highly skilled mechanics to deal with the upkeep and maintenance of the machinery. The increased employment may be there, but it is not always there for the same individuals, and it is hardly ever there for the same individuals at the same time and place as dismissal. Therefore there is a definite short-period problem of unemployment resulting from mechanization which must be faced.

Studies of Displacement. A great deal more information is needed before a definite conclusion can be reached. We should require to know in any particular case (a) the number of women and men discharged, (b) how long they remained unemployed, (c) how many returned to the same industry, (d) how many found employment in another industry, and (e) how stability of employment compared in rationalized industries. Attempts have been made to study these questions by the British Section of the International Association for Social Work in 1926-7, in the United States by the Brookings Institu-

¹ By Robertson (D. H.), in Pigou (A. C.) and Robertson (D. H.), *Economic Essays and Addresses* (1933, London), p. 169.

tion of Washington in 1929, and by the Institute of Human Relations of Yale University in 1930. One of the really serious features of the increased mechanization of industry is that, although an increasingly high degree of skill is required from the aristocrats in the labour hierarchy, the proportion is growing of labour which is repetitive and relatively unskilled in character. The tendency is to increase the percentage of semi-skilled workers and ordinary labourers, and to depress displaced skilled workers to the lower level.

American Studies. One of these American studies, though on a limited scale, provides illuminating results.

'An Investigation recently made by the Institute of Economics of the Brookings Institution reveals that most of the displaced workers have great difficulty in finding new lines of employment once they are discharged. A survey of some 800 workers in three industrial centres revealed that the newer industries are not absorbing the jobless as fast as is usually believed.

'Almost one-half of the workers who were known to have been discharged by certain firms because of curtailment in employment during the year preceding were still without jobs when interviewed by Institute of Economics investigators. Of those still unemployed, over 8 per cent. had been out of work for a year, and about one-half had been idle for more than three months. Among those who had succeeded in finding work, some had had to search for jobs for over a year before finally being placed. More than one-half of those who had found jobs had been in enforced idleness for more than three months before finding employment. Only 10 per cent. had been successful in finding new jobs within a month after discharge.

'The new jobs, moreover, were usually secured at a sacrifice in earnings. Some workers, to be sure, were fortunate enough to find employment which paid higher wages, as was evident by the fact that about one-fifth of them were making more money on their new jobs than before discharge. 48 per cent., however, were receiving lower wages, and about one-third were earning just about the same amount as they formerly did.

'And what kind of jobs did these men finally secure? Trained clothing cutters with years of experience had become gasoline station attendants, watchmen in warehouses, timekeepers in steel plants, and clerks in meat markets. Rotary-press operators were pressing clothes in tailor shops. Machinists were selling hosiery for mail-order houses. Welding-machine operators were making salves for patent medicine manufacturers. A significant number of men admitted frankly that after some months of enforced loafing they had taken to bootlegging.

'It is evident that a large number of the workers now being displaced from industry are being forced into unskilled trades at a sacrifice in earnings and a consequent lowering of their standards of living. At the same

time they are being made to bear the burden of unemployment, for which they are in no way responsible and over which they have no control.¹

British Studies In the *New Survey of London Life and Labour*, Sir H. Llewelyn Smith² takes note of the same general tendency. In all the London industries mechanization has made headway, notably in the food, chemical, and laundry trades, and in mechanical engineering. Motor transport and refrigeration and various automatic machines have simplified the distributive trades. These changes have reduced the amount of skilled employment, the quality now required from the labourers being steadiness and reliability rather than a high degree of skill. If it has created technological unemployment it has reduced casual work. It has also led to the use of a large proportion of female and juvenile labour. The decreased need for skill in a particular trade has been followed by a decay in the apprenticeship system, except in the printing and allied industries and in a few specialized branches of other industries. Not only the staple industries, but minor alternative industries are being carried on with reduced man-power.

A certain amount of work has been done in tracing the history of men thrown out of employment in staple industries in Great Britain by the closing down of works due to rationalization. One investigation, of the cases of men thrown out of work by the closing down of the Penistone steel works in February 1930,³ is based on a sample of 187 men out of 935. The majority of them were married men with homes in the district. The results of the inquiry should be read in detail. It can only be stated here that of the 67 men out of the 187 in employment in 1934, 17 had found employment in the iron and steel industry elsewhere, mostly as labourers, 7 in the work of dismantling, 15 in retail trading and insurance, 7 on road repairing, 23 in other occupations. Eleven were dead. At one time or another 78 men from the Penistone area were employed in dismantling and on road schemes and temporary work for the local authority, of these 52 had had no other employment. Only nine of the men stated that they had had a better job since they left Cammell's, and only six of these were still in the 'better job'. As most of the work found is

¹ Lubin (Isador), *Summary of Testimony and Report of Institute of Economics of the Brookings Institution*, pp. 500-1. Cited by Gregory (Professor T. E.) in *Economic Journal*, Dec. 1930, p. 564. The results of this inquiry were submitted to the Senate Committee on Education and Labour which reported in February 1929. For this and another inquiry into displacement on similar lines see International Labour Office, *Unemployment Problems in 1931*, Studies and Reports, Series C, No. 16 (1931, Geneva), pp. 243-5.

² *London Life and Labour* (1933, London). Introductions to vols. ii and v.

³ Dawes (H.), in *Economic Journal*, March 1934.

outside the area, those who have not transferred their homes have the additional cost and fatigue of travelling.

5. *Mechanization and Demand*

Relative Elasticity of Demand. The effect of mechanization on employment in any industry varies with the degree of elasticity in the demand for the product. If the elasticity of the demand for any given commodity is less than unity, i.e. is less than directly proportional to a decrease in the price, then a reduction in its price produces an increase in the demand for it which is less in proportion than the reduction in price. The less the response of the demand for the commodity at any given price, the less will be the elasticity of the demand for labour to produce the commodity (i.e. derived from the commodity demand). Since the reduction in price was secured by installing mechanized aids to production which economized labour, the conclusion is that all the labour economized cannot be profitably re-absorbed in the industry at the new level of output, and some workers will be permanently displaced. The opposite is true if the elasticity of the demand for the product of an industry introducing improved methods is greater than unity.

Elasticity of demand, however, is not for practical purposes measurable in facts and figures, and can only be approached in general terms. The printing trade provides a striking example of a highly elastic demand. The output per man-hour, including the combined processes of composition, stereotyping, and press-work has been multiplied by $2\frac{1}{2}$ since the introduction of stereotyping, and there have been numerous other inventions tending to save labour; but nevertheless the great expansion in the market of the newspaper and book trade has kept pace with labour-saving devices, so that the number of workers employed has tended to increase rather than to decrease. The steady growth of the market has also produced an increase in the indirect demand for labour—on the one hand for distribution, on the other in the paper and machinery trades—quite distinct from, and in addition to, the direct demand in the actual printing and publishing processes.

Example of Farm Labour in the United States. Agricultural products, on the other hand, are usually subject to an inelastic demand, especially in the case of cereals. The experience of the United States between 1880 and 1910 illustrates the counteracting factors to a general assertion of inelasticity.

‘Between 1880 and 1910 technological displacement, as measured by the increase in the number of crop-acres which could be looked after by

each agricultural worker, was 40 per cent.; two out of every five workers could have been struck off the national pay-roll for the growing of crops. Actually, however, the expansion of the agricultural industry was so enormous that not only were the whole of 3,400,000 workers so released reabsorbed, but another 3,000,000 workers were taken on; there was a net increase of 37.6 per cent. in the size of the agricultural population.¹

This advance was made possible by the development of the home market due to the natural increase in the population of the United States and heavy immigration, and by outlets in western markets, where the standard of life was on the up-grade and had not yet reached the point where more expensive foods replace the staples of wheat and meat. Further, after 1895-6 the world gold price level rose, despite retrograde movements at the beginning of the century and again about 1907, by some 30 points as measured by the Bureau of Labour Statistics Index (1909-10 = 100).

These considerations give some idea of the qualifying conditions which obscure the degree of elasticity in the demand for the product of any given industry. Another is the technical conditions of the given industry at the time of mechanization. This is a circumstance of particular importance in monopolies or partial monopolies. Just how much of the displaced labour will be reabsorbed, even given an elastic demand, will depend on these special technical conditions. Further, saving in labour cost per unit of output is only an alternative method, from the business man's point of view, to other possible savings brought about by redistributing his resources throughout the technical structure of the industry. In the United States, during the great expansion of agricultural production, there tended to be a persistent under-supply of agricultural labour. Land, on the other hand, was generally cheap and abundant, and extensive methods of farming had been pushed to the margin of profitability. The disproportion between the factors of production had to be remedied as a first condition of greater profits, and since labour was still in under-supply, in spite of immigration, a great impetus was given to the perfecting of mechanical aids, alternative or supplementary to human labour. In this case it was unlikely that unemployment would follow, unless mechanical invention was almost miraculously rapid.

By way of amplifying this point, it is of interest to follow the course of mechanization in the United States agriculture a little farther.

'Taking another period which partly overlaps with the above, namely 1900 to 1927, it will be found that the "technological" shrinkage in the

¹ 'A Further Examination of the Effects of Mechanisation in Agriculture in the U.S.A.', in *International Labour Review*, April 1932, pp. 532-3.

labour force of agriculture was almost precisely the same, namely 38 per cent. (the measurement is always in crop-acres cared for per worker); in other words, each agricultural worker looked after more than one and a half times as much land in 1927 as in 1900. This should have released 4,000,000 workers; the actual release was only 200,000 workers (3 per cent. of the working force of agriculture). Or, taking the last nine years only of this period, namely, 1919 to 1927, it will be found that a "technological" displacement of 23 per cent, implying the release of 2,530,000 workers, worked out at an actual shrinkage of only 7 per cent. or 800,000 workers.¹

In the period 1900-14 immigration was notably heavier per annum than in the last two decades of the nineteenth century, and the various factors to which we have already drawn attention were operating. During the war years immigration fell heavily, but the effect on the elasticity of demand was more than compensated by the towering rise in prices, and the curtailment of production in the fighting countries. It is *since* the War that the extrusion of workers from agriculture has become noticeable, and the impetus to mechanization (which still continued steadily, as witness the production-figures for agricultural machinery) came from a different source. In the United States, writes Professor Gregory,

'The check to immigration has given labour something like a quasi-monopoly. Under these circumstances, to economise labour as much as possible represents merely ordinary business prudence.'²

The heavy fall in the prices of farm-products, and a home market crippled by reduced purchasing power since 1929—and, in any case, growing less rapidly than before the War (population increase in 1900-10 was 21.0 per cent, in 1920-30 only 16.1 per cent.)—were factors tending towards an increase in agricultural unemployment. Since 1930, however, there has been a 'subsistence motive' migration of urban workers to the country, the effects of which are still obscure. In January 1933 farm wages were at their lowest for 34 years, according to the Department of Agriculture, and if low rates persist the incentive to further mechanization may diminish.

The Relation of the Increase in Fixed Capital to the Demand for Labour. We thus come to another aspect of demand—the competition of capital with labour for employment in production. It appears to be on the whole true that rationalization generally demands more

¹ 'A Further Examination of the Effects of Mechanisation in Agriculture in the U.S.A.', in *International Labour Review*, April 1932, p. 533.

² Gregory (Professor T. E.), 'Rationalisation and Technological Unemployment', in the *Economic Journal*, Dec. 1930, p. 559.

fixed capital,¹ and it has been argued² that this constitutes a permanent cause of disequilibrium, because increased saving in the upper and middle classes is unaccompanied by increased spending-power for the working classes. But it is difficult to draw a hard and fast line between the investing and working classes. Undoubtedly, however, a very highly mechanized industry demands a larger outlay on capital construction and a lesser outlay on current wages; therefore there is apt to be a dislocation in the division of the national income between the wage-earners and the receivers of interest on the necessary capital involved for the construction of the machines, even when the wages paid in the tool-making industry are taken into account.

Invention may work the other way. Mass-production goods are especially goods that are purchased by the poorer classes, and consequently the wage-earning class as purchasers receive more advantage from mass production than the rich, who are larger purchasers of luxury goods.³ The argument is that although inventions and improvements may prove injurious to the real income of the working classes, this is not generally the case. Inventions and improvements in the main increase the real income of labour as well as the aggregate national dividend. This does not prevent a certain amount of disharmony and dislocation for a longer or shorter period while the economic machine is being adapted to the new circumstances.

6 *Mechanization and the Trade Cycle*

Varying Rates of Mechanization. The possibilities of reabsorbing workers displaced by mechanization vary greatly with the state of trade. If industry is expanding and consumers' demand growing, most of them may find work easily, if not in their own trade, then in some allied occupation or one demanding only generalized ability. But if demand has fallen off, if trade is contracting and factories are standing off men, the probability of securing new employment is immensely reduced. Rapid mechanization in the latter circumstances may dangerously increase unemployment.

It is a matter of controversy whether mechanization proceeds faster in times of expanding or in times of contracting trade. During the upward curve of a trade cycle first existing plant and machinery are worked to their fullest capacity, and, when that is insufficient to

¹ The question of obsolescence assumes an increasing importance as fixed capital increases. In view of the present sharp increase in rationalization, we may find, twenty years or so hence, the same problem of out-of-date methods facing us on a big scale.

² Hobson (J. A.), *Rationalisation and Unemployment* (1930, London).

³ Pigou (A. C.), *Economics of Welfare* (4th ed., 1932, London), pp. 674-5.

meet the demand, new and improved machines are installed and new factories are built. Although the rate of interest rises, capital can be readily obtained, for savings are being made and the banks are confident, and the rising costs of wages and raw materials stimulate the search for means for the reduction of expenses: the use of antiquated plant is felt to be a waste, a golden age is in prospect, and part of the increased profits are put back into the business. When the peak of the boom is passed, the production of capital goods falls off abruptly, except in so far as incompleting contracts cannot be cancelled, but many firms still struggle to maintain profits under falling prices by substituting relatively cheap machinery for relatively dear labour, and this tendency is the stronger when, as in the last five years, trade unions have resisted reductions. Even at the bottom of the decline—in the depression—firms which are substantially sound have still an impetus to remodel or reconstruct their works in order to secure cheaper production, lower prices for their goods, and increase sales. At that time, too, money is cheap, and the banks are ready enough to lend freely to credit-worthy borrowers. It is, therefore, almost impossible to evaluate the effects of the course of the trade cycle on mechanization.

7. Conclusion

The perplexities surrounding the question of the immediate reactions of rationalization on employment were summed up in an International Labour Office Report:

‘It may be possible to say that during a certain period there has been an increase or decrease in the number of unemployed in certain industries and that during the same period rationalization measures have been adopted in these industries, but that is all. It cannot be said for certain that the rationalization measures have brought about the increase or decrease in unemployment, for other causes are appearing at the same time, and it is impossible to separate the unemployment due to one cause from that due to another.’¹

Finally, as has been pointed out in earlier chapters of this book, the occupational division of a community in respect of industrial and agricultural activity has an important bearing on the question of the absorption of men displaced in industry. A country which is de-

¹ ‘The Effects of Rationalisation’, in *Unemployment Problems in 1931*, already cited, p. 220. It is impossible to deal at length with all the arguments advanced. An extreme presentation of the dislocation and unemployment resulting from technical improvements and from rationalization is made by Professor Emil Lederer in his *Technischer Fortschritt und Arbeitslosigkeit*, discussed in the *International Labour Review*, March 1933 and July 1933.

pendent, as much as Great Britain is, on manufacturing and allied industries for the employment of its population will naturally be in a worse position than countries in which manufacture is less important. In the United States, France, and Germany the proportion of persons in agriculture is three to five times as great as in Great Britain.¹

The whole position may be summed up tentatively as follows. Among the most important persistent factors in industrial dislocation is the tendency to replace the direct use of labour by machinery. It is possible—and there is evidence to show that it is in some measure true of current circumstances—that this process is accompanied and offset by a relative increase in the production of those goods, and most particularly those services, which require a comparatively high proportion of labour to capital. Thus while the substitution of machinery may be characteristic of individual industries and trades, it may not be characteristic at the same time of industry and trade as a whole. In any case, it is not to be forgotten that the economy effected is generally but a marginal one; from which one would expect in the normal course of events that nearly as much labour would be employed in making the machines as was formerly directly engaged in the manufacture of the final article, and that the marginal cheapening of that article would liberate purchasing-power in other directions. The difficulties are created, therefore, not so much by the reduction as by the diversion of purchasing-power, and by the rapidity of the change, which may prevent immediate adjustment.

The unemployment problem is thus affected in two main ways. First there is the question whether, if there is a tendency *over industry as a whole* towards the employment of a higher proportion of capital to labour, production *as a whole* will expand fast enough to provide a constant or rising volume of employment. Given that hypothesis, it may be that increased leisure, in the form of shorter hours of work, is the preferable and possibly the easier solution, rather than increased material welfare, in the form of a higher level of production. The second question is whether, if *individual industries* (though not necessarily the whole of industry) are economizing labour by substituting machines, the displaced labour force *in those industries* can be found employment elsewhere without undue delay or waste of skill. The scanty evidence available tends to show that men displaced in this way often only obtain work at lower wages in less skilled trades and after prolonged idleness.

¹ See Dr. E. C. Snow's figures of occupational distribution in *Journal of Royal Statistical Society*, July 1929, Part iii, p. 347, also Appendix III to this book.

SECTION III

OTHER RESTRICTIVE CONDITIONS

CHAPTER IX

RESTRICTIONS ON MIGRATION

1. *Reduced Migration*

It is not a simple matter to estimate the amount of unemployment which may fairly be ascribed to the restrictions on migration in recent years and the extensive repatriation of migrants which has taken place during the depression. The considerations involved are complex, and the estimates sometimes given should not be accepted without due reference to the state of employment in the countries of immigration as well as in the countries of emigration. Perhaps all that may safely be said is that restrictions on free movement of labour aggravate the situation in so far as they enhance the difficulties of securing equilibrium in production, a condition which cannot be easily defined. Restriction is popular on nationalistic grounds because of racial prejudice and because restriction of immigration is believed to help to maintain wages. Natural development is thus hindered.

Inward Balance in Europe. Europe showed a balance of emigrants overseas until 1930. By 1931 the position had been reversed, and the inward movement for twelve European countries from countries outside Europe was 110,000. On the other hand, Australia, the United States, and New Zealand showed on balance an outflow of population, while the net immigration into the Argentine, the Union of South Africa, and Uruguay was small, only in Uruguay was the net immigration comparatively stable from 1927 onwards. In 1932 the influx into Europe was smaller (101,707), and the outflow from Australia was less.¹

Continental migration is less accurately measured; since 1931, however, there has been a marked decrease in emigration and increased repatriation. Emigration from Poland to Germany dropped from 32,000 in 1931 to 389 in 1932, and it has since practically ceased. The Polish minister responsible stated in the spring of 1934 that in 1934-5 some 36,000 people would leave Poland and 38,000 return.

The International Migration Service (Geneva) was mainly occupied

¹ The figures are shown in the *International Labour Office Year Book, 1933* (1934, Geneva), Appendix II, Table xiii, p. 506 et seq.; they are summarized on pp. 258-60.

before the crisis with cases of families who were unable to join the father abroad. For the last five years they have been occupied with the cases of returned migrants, who often return home penniless, and with the further disadvantage of having lost touch with conditions at home. The returned migrant rarely has trade-union or other affiliations useful in finding work. A study of the individual cases of Swiss repatriated migrants has been made, and a similar study for Poland is in contemplation. The Swiss report¹ shows a substantial unemployment problem among nationals returned from France.

Hardships of Repatriation. The strict measures adopted in France in 1934 for the regulation of migrant workers reacted severely on Poland. Polish statistics show a net repatriation figure from France between January 1, 1932, and September 30, 1934, of 23,000. The Poles point out that there are 250,000 Polish workers in French mines, metal industries, and agriculture, that many of them have been in France for ten or fifteen years and went there at the direct instance of French recruiting agents under the supervision of the French Government,² and that the new measures adopted in France will mean further heavy repatriations. The industries in which these men are engaged are also depressed in Poland, and there is little hope of their finding work in them on their return home. The loss of the emigrants' remittances to Poland, estimated at 150 million francs a year in 1931, is also a serious matter for a poor country. The result of a stream of returning families is expected to raise the Polish unemployment figure, and provision will have to be made for them. Among the returning migrants from France are many who were previously settled in the Rhineland, and a considerable number of young lads of 16 to 18 among those who have already returned cannot speak Polish. The position of long-date migrants who have become westernized is an extremely difficult one. Among the many individual hardships is the impossibility of transferring their furniture and belongings, and forced sales naturally produce little return.³

In some cases the hardships of deportation are mitigated by treaty stipulations for transport facilities, but these provisions are by no means universal. In France free railway transport to the frontier is

¹ M. R. Stahel, 'Rückwanderung in die Schweiz', in *Schweizerische Zeitschrift für Hygiene*, vol. xii, Jan. 1933.

² Immediately after the War the French Government asked for Polish labour. By 1929 there were 500,000 Polish nationals in France, workers and their families. In some mines, at Ostricourt for instance, 75 per cent. of the workers were Poles, and in other important mining areas the proportion ranged from 50 to 30 per cent.

³ See *Industrial and Labour Information*, Jan. 14, 1935, pp. 56-8, citing Polish sources.

supplied for deported immigrants. Before the recent stricter regulations were brought in, local authorities were instructed to avoid repatriating families long established in the country, provided that one member at least in the family was in employment, and to see that the deported persons had means to continue their journey beyond the frontier. In spite of these precautions hard cases of the separation of members of families and of the deportation of political refugees arose. The home countries of the returned migrants in some cases provide for the journey from the home frontier ¹

At no previous time since mass-migration began has such a wholesale reversal of the movement been seen. It has been accompanied in the last two years by the, at any rate partial, reversal² of another century-old trend—the flight from the land in internal migration. In no country is there available adequate information to compute its extent, but there is enough to say generally that the flight from the land has stopped, although the flight from the towns is not proved. The situation, of course, varies from country to country—it is especially notable in the United States—and the movement is quite definitely due to the crisis and not necessarily permanent, whereas the check to international migration through restrictions began well before the crisis, and was in any case largely political in origin.

Deterrents to Migration. It is sometimes maintained that the sources of emigration from Europe are gradually drying up. M. Georges Mauco³ ascribes the increasing tendency to remain at home to the phenomenon of a falling birth-rate, combined with the striving to rise in the social scale noticeable throughout industrial Europe. This tendency to invade the superior occupations induces unemployment in skilled industry and in semi-professional and professional occupations, and causes a lack of labour of the rougher kinds. The heavy work of the land worker, the miner, and the labourer tends to be done by poorer classes of the more backward countries. France is the outstanding example, drawing, as she has done, on a large amount of alien unskilled labour. M. Marquet, however, stated on September 5, 1934, that since 1930 the number of foreigners employed in manual labour had diminished by 400,000. Switzerland, which has a surplus of skilled workers and sends many abroad, employs many thousands of foreign workers in manual work. The demand for rough manual labour cannot be met from unemployed industrial workers, since

¹ See *International Labour Office Year Book, 1932* (1933, Geneva), p. 260.

² See the chapter on Land Settlement.

³ Mauco (Georges), 'Immigration in France', in *International Labour Review*, June 1933.

they naturally object to moving downward in the industrial scale unless they are compelled to do so. Countries are no longer willing, writes M. Mauco, 'to act as human reservoirs nor to fritter away their man-power in the service of foreign wealth and power'. This explains why, when in 1930 France asked for 95,000 Polish workers, Poland granted only 61,000 and then under strict conditions, on the ground that the work of Polish miners in France handicapped the market for Polish coal. A reduced Polish export means unemployment in Poland, emigration to France, and an increase in the output of French coal.

In a period of an acute depression like the present ordinary labour appears to be plentiful enough, but M. Mauco's estimate of the situation is worth considering, especially in connexion with the inauguration of public works demanding large supplies of rough labour.

The deterrent effect on migration of extensive social services in the countries of origin is of some importance. An Englishman or a German contemplating emigration to North America has to consider the loss of all claim to assistance in case of unemployment or sickness, and of pension rights in old age. Between some countries conventions have been concluded for reciprocal pension and other rights, but these only cover a small part of the field. It has been suggested that approved British emigrants to British Dominions should be allowed to capitalize previous contributions and have them placed to their credit in the Dominion to which they go. The existence of social insurance on the whole increases the tendency to remain in bad times in the country where insurance benefits are available.¹

2. *Conditions favourable to Migration*

Surplus and Deficiency Conditions. Without entering into the vexed question of over-population or under-population,² we can say definitely that there may be a local surplus or deficiency of population relatively to the conditions prevailing at any given moment. Never-

¹ A draft convention on the maintenance of pension rights of migrant workers was unanimously adopted at the International Labour Conference in 1935. Its ratification would remove part of these difficulties.

² Professor Robbins has said: 'We must distinguish between two senses of the word "over-population", speaking of *absolute* over-population when we mean that, in the world as a whole, or in an isolated community, the point of maximum return has been passed, and of *relative* over-population when we mean that, in a particular part of the world's surface, work has to take place under less favourable conditions than elsewhere, so that, other things being equal, a unit of labour is less productive than it would be in another place.' 'The Optimum Theory of Population', in *London Essays in Honour of Edwin Cannan*, p. 13.

theless it is not true that a *dense* population indicates a surplus, although it may indicate congestion.¹ The condition of surplus is the one which is generally most striking to the observer, because it is evidenced by symptoms of distress, or a low or declining standard of life, whereas a deficiency condition is generally relative to potential rather than to actual development. The existence of the deficiency side of the question must not be forgotten at a moment when the unemployment or relative surplus conditions, largely the result of the general world depression, fills the public eye.

In the nineteenth century the surplus and deficiency conditions were manifestly complementary. On the one hand, there was the decline of old agricultural regions; on the other, the demand for labour in the new industrial regions, and in the undeveloped overseas areas. With the pushing back of the margin of profitable production in the new countries and the raising of the standard of life in the old countries, this complementary relation is less obvious—although from the point of view of strict economic theory it persists as long as a unit of labour gives different returns as between different countries. Actually until about the middle of the nineteenth century the surplus condition in Europe (i.e. pressure on the subsistence-level) was the chief determining factor in emigration.² Afterwards it tended to be the deficiency condition overseas (i.e. the opportunities for a better livelihood) which was the more important factor. The U.S.A. Immigration Commission said: 'Emigration from Europe is not now an economic necessity. In the main those who emigrate to the United States are swayed by a desire to better their condition rather than by the necessity of escaping intolerable ones.'³ Migration is primarily a movement of people not necessarily unemployed, who are seeking to better their situation, and who help the country to which they go to develop its latent resources.⁴ How far the decline of emigration from Great Britain is due to a lessening of individual enterprise and how far to increasing impediments to migration it is not possible to determine. But the major influence appears to be the latter. The prolonged and extremely intense depression in agriculture arising out of the introduction of machinery and over-production, and the policy

¹ For an exposition of this point see Carr-Saunders (Prof. A. M.), 'Migration Policies', in *Foreign Affairs* (July 1934, New York), p. 668.

² National Bureau of Economic Research, *International Migrations* (1929-31, New York), vol. i, p. 83.

³ *U.S. Immigration Commission Reports*, vol. i, p. 185 (quoted in *International Migrations*, vol. ii, p. 213, without the year being given).

⁴ See *Unemployment*, International Labour Office, Studies and Reports, Series C, No. 13 (1929, Geneva), pp. 136 seq.

of certain countries, notably the United States, of restricting the number of immigrants, have considerably lessened the international flow of labour.

The overseas policy of granting free or cheap land was an important incentive, and the disappearance of this incentive in the present century represents a profound alteration from the conditions of the nineteenth century.

The Prosperity Index For the last three-quarters of a century, the curve of migration has followed the course of prosperity in the countries of immigration rather than the course of depression in the countries of emigration, although diffused depression has always coincided with reduced movements. The course of British migration to the United States up to 1914 illustrates this general trend in respect of the prosperity of the country of destination. In the pre-war period there were three marked dips in the curve. Each of these was related to a financial crisis in the United States. In Great Britain there was at the same time a reduction in wholesale prices and a fall in the bank rate. In 1899 and 1890, on the other hand, when migration to the United States was also decreasing rapidly, British prices were steady and the bank rate was rising. An increase in emigration from 1877 to 1883 may be traced to depression in this country resulting largely from competition by Germany and the United States. Persons here thought it was a good thing to better themselves in a country so prosperous as the United States. In the twelve years before the War there was good prospect of advancement overseas, and migration from Great Britain increased steadily, although conditions at home were relatively prosperous ¹

A comparison of the course of trade in the country of origin with the emigration rate, and simultaneously with the prosperity index in the country of immigration, is provided in two diagrams on Italian and American conditions in relation to migration given by Dr. H. Jerome in his *Migration and Business Cycles*. They are the more illuminating because the cyclical fluctuations in Italy bore less resemblance to those of the United States of America—probably owing to the dissimilar economic organizations of these two countries—than was the case with other countries.

With the increasing economic interdependence of national units, the course of trade fluctuations in all countries has tended to become more similar, and migration is checked from both directions—i.e. bad trade abroad reduces the desire to emigrate, bad trade at home

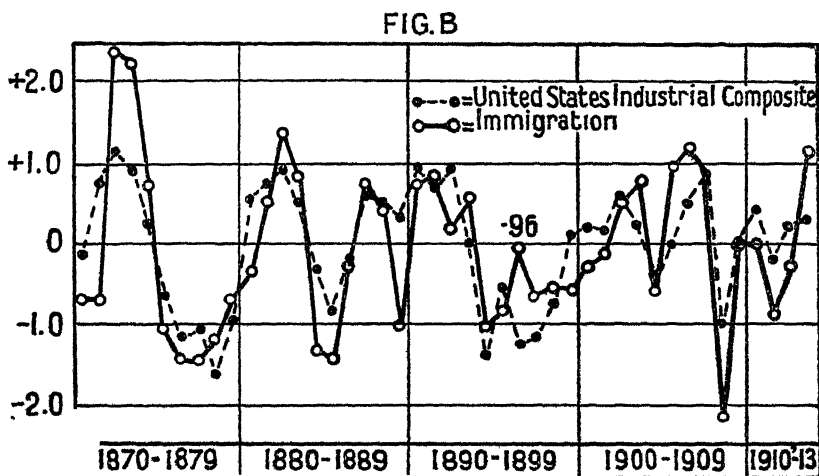
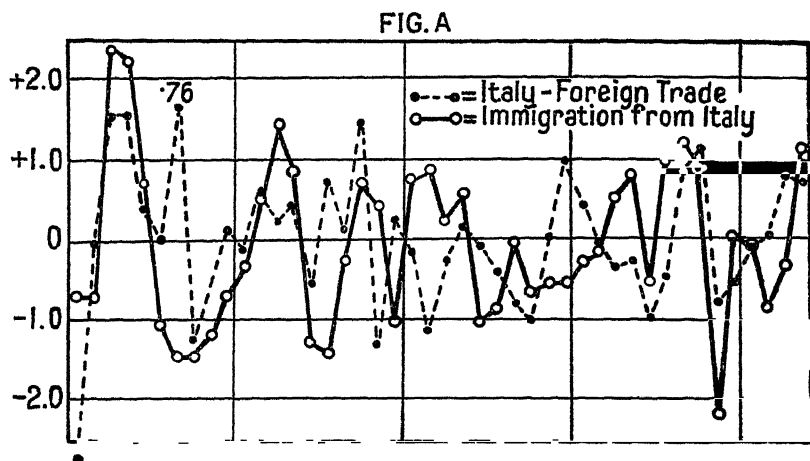
¹ Leak (H.) and Friday (T.), 'Migration from and to the United Kingdom', in *Journal of the Royal Statistical Society*, Part ii, 1933, pp. 188-90.

DIAGRAM XI

Business conditions and Immigration from Italy: 1870-1913

Cycles in Immigration from Italy to the United States of America compared with cycles in Foreign Trade in Italy (Fig. A), and with Business Conditions in the United States (Fig. B).

Unit = one standard deviation



National Bureau of Economic Research, Inc., *Migration and Business Cycles*, by H. Jerome (1926, New York), p. 198.

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reduces the power to do so. The fact that the exodus definitely does not increase, but decreases, in times of bad trade, was noted for Great Britain as long ago as 1885.¹ The relief of unemployment by spontaneous emigration in a period of bad trade is not to be relied upon, and in a *general* depression no such relief can be expected

Standpoint in New Countries. In the past too much emphasis has perhaps been laid on the emigration point of view of old countries, and the problem has not been sufficiently considered from the angle of the new countries, which have been censured rather indiscriminately for their restrictive legislations. When there is universal depression, there is no reason why the new countries should welcome immigrants. Their products are mainly primary, and they therefore react with particular violence to crisis conditions, while they usually carry heavy debt burdens—burdens intensified in a price-fall.

This side of the question is closely wrapped up with socio-political considerations, the most important being the structure of the restricting country's population. Although the great wealth of the United States was built up on the basis of a steadily increasing population regularly fed by immigrants from Europe,² the fear of a rate of ingress of alien elements too rapid to allow of their assimilation led to restriction. Again, in a country like Australia, the maintenance of an individual high standard of living for workers is regarded as a fundamental political duty. If the population is artificially increased by the free entry of workers from areas with a relatively lower standard of

¹ By Sir Robert Giffen, quoted in the 1929 International Labour Office Study referred to above.

² Professor Sumner H. Slichter writes (in a note to the Study Group): 'In the United States we shall probably make the discovery that industry is organized and equipped for a more rapid rate of growth than we shall be able to maintain. Industrial growth in this country has been stimulated by the fact that we have been occupying a vacant continent and receiving a large flow of immigration from Europe. But now it appears that economic development in the United States has reached a turning-point. Our natural resources are pretty well developed and the flow of immigration has ceased. Unless industry receives an extraordinarily strong stimulus from technical discoveries, it will grow more slowly in the future. . . . This means that our capital-goods industries will experience increasing difficulty in finding markets for their products. The workers in these industries will experience difficulty in shifting to the consumer-goods industries, because unemployment in the capital-goods industries will limit the demand for consumers' goods. The world at large is likely to be confronted with a similar problem. As opportunities to develop South America, Africa, Australia, and other parts of the world are restricted by impediments to the flow of capital and labour, the world will find itself organized and equipped for a more rapid rate of growth than it is able to maintain, with chronic unemployment in the capital-goods industries limiting the demand for consumer-goods and retarding the transfer of the unemployed from the capital-goods to the consumer-goods industries.'

life, it is argued that output per head will be less, and the amount of the national dividend per head will consequently decline. This belief is widely held; but, on the other hand, this restrictive policy in countries like Australia, producing large quantities of food, of which the internal market only absorbs a very small portion, has its dangers. The country is dependent on a large and sustained export of agricultural products to pay for necessary imports and the heavy loan charges characteristic of 'new' countries. The main external market for these products is Europe. But Europe is developing a policy of high agrarian protection, for reasons connected partly with politics and partly with the impact of agrarian imports from the 'new' countries, and, therefore, the market diminishes every year. The only permanent solution appears to be a large increase of the consuming population in the new countries, but this policy would require large changes in the economic structure which demand time for their accomplishment.¹

The restrictive attitude of the overseas countries, as long as they have any marked unemployment, is understandable. They are trying in a time of slack trade to adapt the inflow of workers to the absorptive capacity of their home labour market, and their action emphasizes the natural fluctuations of that inflow (i.e. high in good times, low in bad). But it cannot be maintained that, simply because immigrants are admitted in good times, they increase unemployment in bad times. They are the victims of cyclical fluctuations equally with the other agents of production, for all markets—land, capital, entrepreneur—are overstocked in depression. Moreover, this overstocking is world-wide, and could equally well be attributed to a redundant world population. It is maintained that 'immigration is not a fundamental cause of unemployment'.² It can, at all events, legitimately be argued that immigration in times of depression may increase temporarily the difficulties of the country of destination. Much depends on the composition of the immigrant stream, and the occupations to which the

¹ See the *Report of the Committee on Empire Migration, Economic Advisory Committee*, Cmd. 4075 of 1932, p. 63, for conditions for immigration in British countries overseas. Also *Report of the Inter-departmental Committee on Migration Policy*, Aug. 1934, Cmd. 4689. An important point is made (p. 6) that capital expenditure on certain public services, in some parts of the Dominions at any rate, has been such as to provide for a substantially larger population than actually exists at present, so that in those localities an increase in population within limits would require a relatively moderate additional capital outlay on such services, and should reduce the burden of capital indebtedness per head of population.

² Statement by the Development and Migration Commission of Australia, quoted in the International Labour Office Study cited above, p. 139.

individual migrants go. In so far as they supply a deficiency in the section of the labour market to which they gravitate, they are a genuine contribution to the economic structure of the country.

Adaptability of Immigrants. On the whole the natural tendency is for the composition of the immigrant flow to adjust itself to the structure of the demand for labour in the country of destination. This tendency may be hampered by schemes of assisted emigration, as the emphasis is liable to be on relieving occupational redundancies of supply at home rather than on supplying occupational deficiencies abroad; but the home redundancy and the deficiency in the country of immigration are not necessarily complementary. Some light will be thrown on this point by a forthcoming study of the Dominion Bureau of Statistics (Canada) on the results of the Census of 1931, which will contain studies of the kind of occupation to which immigrant wage-earners gravitate, the relative degree of occupational adjustment by immigrants of different races, the length of residence in relation to the rate of unemployment, &c.

The mobility and adaptability of foreign labour imported into France has undoubtedly assisted French agriculture and heavy industry, recruits for which were unobtainable in France. Efforts have been made at different times to prevent immigrant labour from transferring to the lighter industrial and commercial occupations. Immigrants have also supplied a mobile element lacking in French workers, who, as is natural in a country with an old and settled civilization, show much reluctance to change their occupation and their place of residence.

Political Refugees. One important aspect of migration in post-war years has been the movement of refugees for political reasons. The exodus from Russia after the Revolution, from Asia Minor after the Turkish victory over Greece, of Bulgarians and Magyars home from neighbouring countries, of Jews and Socialists from Germany, have had some effect on the labour market in the countries of immigration. It must not be assumed that the advent of these refugees necessarily means a permanent increase in unemployment. The advent of Greek nationals into Greece led to a great development of the national resources, organized with help from outside, which undoubtedly increased the national wealth and provided increased employment. The history of the past provides abundant examples of the stimulus provided by alien refugee immigrants possessed of special skill. It may be that the present disposal of German refugees will bring some compensations of this kind. Turkey is building up university education with their help, and an inquiry into the industrial results of

German immigration into the Netherlands shows that 125 new undertakings have been established from April 1, 1933, to June 1934 by German-Jewish refugees or with their assistance. Many of the undertakings are for products which are new or in small supply in the Netherlands, and they were estimated in the summer of 1934 to be giving employment to 2,000 workers and salaried employees, 90 per cent. of whom were Dutch; the indirect employment provided was estimated at another 2,000.

3. *Co-ordination of Migration*

M. Thomas's Proposals. If, then, the natural course of migration in depressions does not tend towards immediate relief of unemployment in the world as a whole, what could be or is being done by artificially modifying that natural course, whether on the up or on the down grade of prosperity? 'To an economist the problem of migration is the problem of directing the flow of labour in such a manner that it fulfils, both as regards quality and quantity', the needs of the country of immigration¹ But the demographic question is generally approached from a purely nationalist point of view. It is, in fact, an international question of the first importance and should be internationally considered. The late Albert Thomas, at the World Population Conference of 1927, put forward in broad outline a scheme for an international body of control, the idea of absolute freedom to proceed from place to place being no longer valid under modern conditions. He wished the whole question to be related to policy in regard to birth-rate, public health, &c.² The competence of the international authority would cover broadly: the conditions under which individuals might migrate at all; the conditions under which an unoccupied or obviously under-populated area, belonging to one of the parties which have agreed to the establishment of the international authority, should be opened to certain classes of immigrants; the conditions of selection of immigrants by the country of destination and international rules of naturalization and assimilation directed to securing an even development of population and preventing the growth of dangerously localized racial preponderances. M. Thomas's proposals aimed at the reduction of conflict in the long run, rather than at the immediate relief of depressed conditions of employment.

¹ Professor Carr-Saunders, 'Migration Policies', in *Foreign Affairs* (July 1934, New York), p. 675.

² *International Labour Office Year Book, 1931* (1932, Geneva), p. 256.

M. de Michelis's Proposals M. de Michelis¹ has urged the necessity of planned international action, instancing such bilateral action as the Franco-Italian Agreement, 1926, relating to the exploitation of phosphates in Tunis, and the 1927 agreement for group migration between Poland and São Paulo. Inquiries should be carried out by the International Labour Office to provide an approximate idea of the transferable contingents of labour from various countries, together with a parallel inquiry relating to the countries where colonizing groups might be settled, and the undertakings which might be organized by these groups. Some constructive action has been taken by Governments in this direction, and there have been a number of bilateral agreements besides the two quoted by M. de Michelis, e.g. France with Poland, Czechoslovakia, Belgium, and Austria; Italy with Brazil, Luxembourg, Yugoslavia, and Albania.

Group Migration Group migration is another form of constructive policy which has under some agreements assumed considerable importance. The method of assisted family migration has been tried for some time within the British Empire. In fact, for many years, assisted migration accompanied by 'planning' in the sense of training and placing the migrants before helping them to leave has been part of the migration policy of Great Britain. To infiltration by individuals and single families has now been added settlement of groups of immigrants in organized communities in virgin lands.² The Committee on Empire Migration, set up by the Economic Advisory Council, reported in 1932 against the expediency of initiating an extensive long-term emigration policy for Great Britain in view of the declining birth-rate and the likelihood of a gradual readjustment of the life of the country to post-war conditions. An emigration policy might be useful as an emergency policy for the next few years, though 'with certain disadvantages because of its selective tendencies'. Nevertheless they thought that overseas settlement within the Empire was extremely important for other than purely economic reasons, and were prepared to support financial assistance towards this movement.

The Committee appointed by the Danish Minister of Social Welfare

¹ 'A World Programme of Organic Economic Reconstruction', in *International Labour Review* (Nov. 1931, Geneva), p. 495. M. de Michelis has published a book, *La Corporazione nel Mondo* (1934, Milan, (365 pp.)), developing his thesis for international corporative organization, and advocating that the International Labour Office should ascertain surplus labour in over-populated countries and possibility of their movement to other countries.

² For an account of the operation of the Empire Settlement Act, 1922, see the *Report of the Inter-departmental Committee on Migration Policy*, Cmd. 4689 of 1934, in which the advantages and disadvantages of group settlement are set out.

in November 1933 reported that 'large-scale group emigration is not to be recommended',¹ but suggested a serious attempt at organizing group emigration on a small scale, based on knowledge of conditions and on agreements made by the Government in advance, but not necessarily State-financed. The Government's attention was particularly directed to opportunities in South America

Internal Migration. Apart from international and inter-Imperial schemes, one of the most interesting policies to-day is that pursued by Italy, whose large former outlets for emigration have been practically closed. The idea of national unity—State and nation welded into a living identity—is the supreme expression of the Fascist philosophy. Therefore continuation of emigration on the pre-war scale² was repugnant to the Italian leaders. Since 1934, every effort has been made to retain as large a proportion as possible of the population increase within the sphere of Italian influence. Alternatives to overseas migration had, however, to be provided, and in 1926 the Commissariat for Internal Migration was established to develop a national policy. In 1930 it directed and controlled the movement, seasonal or permanent, of 350,000 workers, 295,000 to agrarian occupations (140,000 for wheat harvesting), 55,000 into industry, and 29,000 for roads and building. Internal permanent colonization by group and family recruitment has also been carried out on reclaimed areas (e.g. Paestum) under the authority of the specially constituted 'Comitato Permanente per le Migrazioni Interne'. During the four years of its existence this committee has transferred some 3,246 families from the crowded valley of the Po to the reclaimed districts. Large numbers of Italians have left the Modena and Ferrara districts to be settled in Sardinia. The internal movement of population in Italy has been facilitated by the system of collective agreements in agriculture, which is an old-established principle in Italy, but has made great strides under the Fascist régime. Collective agreements³

¹ *Industrial and Labour Information*, Sept. 4, 1933, p. 338.

² Italian emigration (gross figures; present annual average population increase equals 400,000).

1876-1900 annual average	210,000	
1901-13	" "	627,000
War years	" "	168,000
1919	year's total	253,000
1920	" "	614,000
1921	" "	201,000
1922-4	annual average	345,000
		} Some labour markets had been closed.

The net overseas movement in 1933 was 3,728 inwards, the net movement to and from other European countries 20,954.

³ Biagi (B.), 'Collective Agreements in Agriculture in Italy', in *International Labour Review*, March 1934.

for workers in forestry, rice-cultivation, and ordinary agricultural work facilitate the mobility of agricultural labour. In respect of overseas movements, the aim has been to increase the Italian population in the North African colonies, while emigration to non-Italian countries, if not actually discouraged, is at least not encouraged. In North Africa the work is carried out gradually by the settling of groups of about 20 families at a time, as and when the opportunity occurs. During the year 1933, 150 Italian families from the south were settled in Cyrenaica. The prospects in Cyrenaica are limited, and local opinion puts the maximum white population at about half a million.¹

4 *Effect of Restrictions*

In spite of these evidences of planning with something of an international outlook, the eyes of most countries at this time, and especially of the countries of immigration, are turned inwards. Contemplating surplus in the home labour market, the immigration countries place restrictions on movement without much regard to their international implications. The regulations in most countries are being tightened up. The International Labour Office give each year in their *Year Book* a list of these changes in the conditions of migration which are of great interest. Not only have there been further restrictions on immigration, but there has been a very considerable repatriation movement.

To conclude, there can be no doubt that governmental restrictions on migration contribute to the difficulties of securing equilibrium of supply and demand. They are, of course, defended on grounds of national policy, and sometimes of socially desirable policy. But since it is the opportunity for betterment which produces the urge to migrate, artificial obstacles cannot but reduce the total productivity of labour, other things being equal.

Great Britain The effect of the slackening of migration on the labour market of Great Britain is frequently exaggerated. Net migration from the United Kingdom in the decade 1904-13² exceeded that in the decade 1920-9 by about 770,000. Perhaps one-half of these, possibly less, may be reckoned as wage-earners. Nor can the figure of, say, 400,000 be regarded as the net relief to the labour market that would have been afforded had migration resumed its

¹ *The Times*, June 22, 1934.

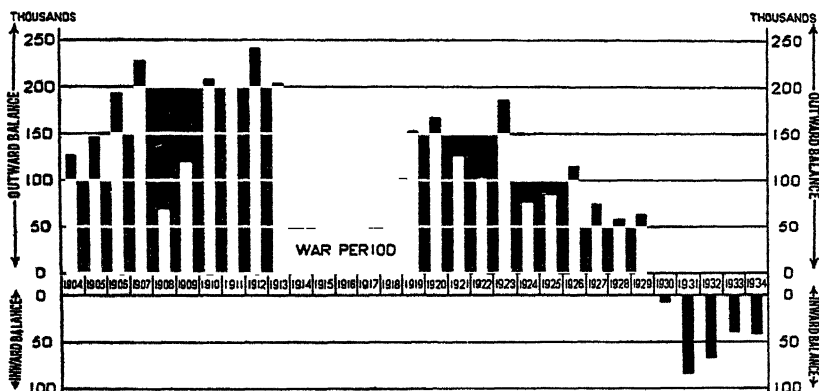
² There are no annual migration figures for the years before 1913, so we must assume, following the evidence of post-war years, that the net migration movement was approximately equal to the net passenger movement.

pre-war volume. In the first place, under the present exacting conditions imposed by the countries of immigration, emigrants are on the whole above the average in strength, energy, and initiative and thus of employment-value. In the second place, emigrants are not by any means exclusively drawn from depressed areas and industries, in which there is a substantial volume of unemployment; many of the hypothetical extra 400,000 would have been attached to rising trades whose expansion might well have been hindered by their departure.

DIAGRAM XII

The net movement in and out of Great Britain is shown in the diagram below

Total Passenger Movement—outward and inward balances from and to the United Kingdom [as from April 1923 Irish Free State Passenger movement is excluded]



Source: Supplement to the *Ministry of Labour Gazette*, March 1935.

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Finally, there is insufficient evidence to show that had governmental restrictions on migration been less, emigration would have reached or approached pre-war levels. It is significant that net emigration to British countries, which represents two-thirds of the total for all countries, fell by 32 per cent. between 1904-13 and 1920-9, in spite of the operation of the Empire Settlement Act of 1922, under which £6 millions was paid by the United Kingdom Government alone up to 1931.

CHAPTER X

THE LEVEL OF WAGES

1. *Labour Costs*

Rigidity of Wages. Among the rigidities which are alleged to tend to unemployment must be counted the maintenance of fixed wages through agreement by trade unions and employers' associations. In the case of Great Britain it is argued that a small reduction in wages would secure a cheaper product and higher sales, that in the export industries especially, where the product has to compete with the output of cheap labour in other countries, wage-reductions are essential. It has been asserted that the maintenance of wage-rates before the slump contributed to the loss of export markets. It is also urged that, but for the existence of unemployment assistance payments and poor-relief,¹ the excess labour in the export industries would have been forced into other occupations, less well paid, or into independent jobs, or into their own industry at a lower wage, and that the general lowering of the standard would have enabled industry to keep going during the depression at a higher *tempo* than has been the case. It is also argued that the high-wage policy deliberately followed in the United States before the crisis was an important contributory cause of depression. Rising wage-standards in Germany during the same period are alleged to have been an important cause of disequilibrium.² The artificial maintenance of wage-rates in Australia until the cuts made in 1931 in award rates is also condemned.

Before any conclusion can be reached on the substantial value of these contentions it is necessary to consider the evidence on various points. In the following pages some relevant information is given. First, distinction must be made between labour costs and wages, since the importance of the rate of wages in the final cost of the commodity varies from industry to industry; second, wage-levels must vary according to national conditions, and the limiting factors in the area of change of rates must be taken into account; third, in the case of wages in exporting industries, the difficulty and uncertainty of

¹ But see an article by Miss E. C. Wilson, *International Labour Review*, Dec. 1934, which brings evidence to the contrary.

² Wages in Germany continued to rise until the end of 1930, though the indices of share-values and of orders for machinery began to diminish in 1929, the consumption of iron in the winter of 1928-9, the production of producers' goods from the middle of 1929, and railway receipts from the spring of that year onwards. Unemployment was rising.

international comparisons must be given due weight before comparisons are made; fourth, the national statistics of changes in wage-levels are by no means complete in all countries; fifth, the proportion which total pay-rolls form of national income has an obvious bearing on consumption, and therefore on production and employment. On nearly all of these questions the information available is incomplete, and the most varying conclusions have been drawn from it.

Assessment of Labour Costs Internationally. There has been acute controversy on the question of the relative costs of production in different countries. One of the many reasons urged for the imposition of tariffs on various commodities is that of unfair competition, that the cost of production in the country of origin is such that it is impossible for the producer in the country imposing the tariff to compete on these terms.

The Balfour Committee on Industry and Trade examined the proposal for using a customs tariff to equalize the conditions of labour costs as between exporting and importing countries. They came to the conclusion¹ that this principle, invoked for many years by the United States Tariff Commission as the reason for protection against the 'pauper labour' of Europe, was neither 'defensible in theory nor feasible in practice' for various reasons. (1) that the level of labour cost per unit of production (which it is desired to equalize) does not vary proportionately to the remuneration of labour per unit of time, no satisfactory basis for the comparison of international labour costs being available; (2) certificates of origin would be required in all cases; (3) the most-favoured-nation clause would have to be abandoned; (4) it would be necessary to penalize some of the best foreign markets; (5) allowances would have to be made for different conditions of life in East and West which cannot well be statistically measured.

Evidently, if the cost of production in all countries were absolutely the same, if there were the same advantages for the production of any particular product—in labour, in the provision of capital, in the availability of power, machinery, skill, &c.—there would be no reason for international trade at all, except in those natural products (and perhaps some of their derivatives) which can only profitably be produced in certain climates, or at all events only with different margins of profit. There are many factors in the costs of production. The point of interest here is the stress often laid, by the interests seeking protection, on the relatively high cost of labour in their own country. Sometimes the contention takes a wider form. It is urged that the

¹ *Final Report* (Cmd. 3282 of 1929), pp. 270-1.

general standard of living in Great Britain, or in the United States of America, or whatever country may be in question, is too high to enable the industrialist to maintain his place in the world markets.

In the first or narrower argument, the plea is the relatively high costs of labour in the export industries ; in the second, the relatively high cost of labour as spread over all industries.

The purely international side of the question, therefore, resolves itself into an inquiry as to whether high labour costs in certain countries have caused unemployment in trades producing for export ; whether, for instance, labour costs in Lancashire mills have caused unemployment in the cotton industry, owing to the falling off in exports due to competition from Japan, where long hours and low wages are the rule.¹ It is very difficult to reckon what labour costs are, for the price of the finished article includes wage-costs at various stages of manufacture. The question is further complicated by wage-costs in other industries directly serving the industry, such as transport, and less direct services might have to be considered. But even if mill-wages alone are taken into account, a mere comparison of real wages would not meet the case. What is required is not real wages, but the cost of a given unit of output to the employer.²

Index-numbers of money wages can be used to show the trend of wages in different countries, but they are seldom comparable as between countries.³ Moreover, the relative efficiency of labour requires to be taken into account. Wage-costs form a larger proportion of total costs in countries where mechanization and rationalization are least advanced.

Before considering such comparative statistics as are available, it is worth while to consider the question of wage-costs without reference to their international implications.

¹ For an explanation of low money wages in Japan see Maurette (F.): *Social Aspects of Industrial Development in Japan*, International Labour Office (1934, Geneva). He gives figures (p. 31) showing that, in an undertaking examined, dormitory accommodation, cheap food-supplies, an annual bonus, with other facilities bring real remuneration to a total (in the case of women spinners) representing twice the money wage. Living is cheap, standards of life are simple, and the average age of workers low.

² See Bowley (Professor A. L.): *Journal of the Royal Statistical Society*, part iii, 1930, p. 424 (discussion on Prof. J. H. Richardson's paper on 'International Comparisons of Real Wages', which contains an account of the methods of construction of International Labour Office figures of real wages).

³ On this subject see the Social Science Research Council of New York's Report, *International Wage Comparisons*, Manchester University Press, 1932, where the methods of compilation of international index-numbers are discussed. For the available material on wage-changes see p. 258-62, below.

2. *Wage-costs in Different Industries.*

Wage-costs are of primary importance in the selling price in the extractive industries, because here the cost of the raw material only appears in the form of rent or royalties. The following figures for coal in Great Britain are taken from the *Economist*, October 7, 1933.

TABLE LXXX

	Tonnage dispos- able	Costs per ton				Proceeds per ton	Profit per ton	Output per man- shift	Earnings per man- shift	
		Wages		Total costs					s.	d.
1930:		s.	d.	s.	d.	s.	d.	cwts	s.	d.
1st qtr.	60.0	9	2	13	4	14	5	21.94	9	3
2nd qtr.	51.6	9	5	14	1	13	11	21.32	9	3
1933:										
1st qtr.	49.9	8	9	13	1½	13	11	9½	22	67
2nd qtr.	42.8	8	11½	13	9½	13	4½	—4½	22	07

Similar considerations apply to some extent to agriculture, though here the purchases of raw material—fertilizers, feeding-stuffs, live stock, &c, are considerable. In manufacturing industries the price of the raw material may have a preponderant importance in the selling price, and the proximity of supplies is an important factor. But if the net output, i.e. the value added by manufacture, alone is taken into account the importance of wage-costs varies considerably. The Balfour Committee on Industry and Trade estimated that in 1907 about five-sevenths of the value of this net output was paid out in wages and salaries. The results of the 1930 Census of Production show very varying rates for different industries. The proportion tended to increase. Exceptions were the clothing and boot and shoe trades, electrical engineering, shipbuilding, the food, drink, and tobacco trades, the paper and printing trades, and the soap, fertilizers, and allied trades. The decrease can generally be accounted for in these trades by technical and organizational improvements; the unexpected reduction in shipbuilding is probably due to the closing down of less well-equipped yards.

Where the demand for labour, owing to the comparative unimportance of wages as costs, is very inelastic, any lack of flexibility in wage-rates is a matter of comparatively small importance to the industry, and hence has little or no effect upon the numbers employed. The converse is, of course, the case in industries to which labour costs are an item of considerable importance.

3. *Rationalization and Wage-costs*

Mr. Ford's Experience. Labour efficiency may make it possible to sell at lower prices even though wages are higher. The first annual report of the Ford Motor Company (British), for instance, had some interesting comments on the Ford policy of high wages. The Chairman said it had been found that where Ford's paid the highest wages, there were the lowest costs (Denmark), and where they paid the lowest wages they had the highest costs (Belgium). 'Given like conditions and treatment,' he said, 'our workers here in Europe actually beat their American cousins, as proved by the standard of our minute costs.'

It would, however, be dangerous to generalize from special examples. For manufacturing industries other productive factors are usually more important in determining the efficiency of labour (wage-costs per unit) than the personal efficiency of the wage-earner, the most important of these being the capital invested in machinery and various economies in the lay-out of work.

Sweated Industries. But relatively high wage-rates may induce improvements in organization tending to reduce labour costs. The actual history of wages in Great Britain in the last twenty years shows that in certain trades, which before 1910 were sweated industries, increases of wages, forced upon them by the institution of Trade Boards, have been concurrent with great improvements in equipment and organization. Some of these industries have shown very rapid development. In spite of a greatly increased use of machinery, they provided an increase in employment. Outstanding examples are offered by the laundry and clothing industries. It is possible that the great technical advances in both of these industries, which have increased their market and enabled them to employ more people, would have been very much delayed if reorganization had not been forced upon them by the progressive raising of wages. But the lack of organization among employees of these industries was very generally accompanied by a comparatively low level of managerial and technical organization. It would be a hasty conclusion, therefore, to assume that what the Trade Boards did for these industries could also be done by compulsory raising of wages in more developed industries. Nevertheless, official inquiries have shown that a relatively low state of efficiency is not confined to small sweated industry, and the experience of the development of those industries under the spur of higher wages has therefore a wider importance. The report of President Hoover's Committee on Waste led to great and salutary changes in industry.

Mechanized New Industries. It is a significant fact that those industries in which most development has taken place (electrical, aluminium, motor-cars, rayon, wireless, chemicals) since the War are highly organized and mechanized industries in which labour costs form a comparatively small proportion of total costs.¹

Farm Labour. Agriculture provides a good example of an industry in which labour costs are affected heavily by the degree of intensity of cultivation and by the capital investment per acre including the provision of machinery. Both these factors vary in different countries, and their reactions are shown in the wages of farm labour and the number of persons employed. Wages are high where few men are employed, in proportion to acreage, and vice versa. Professor Block has calculated some of the variations.²

TABLE LXXVI
Annual Wages of Farm Labourers in 1913

(in dollars)			
Japan	26 (plus board)	Germany	200
China	42	England and Wales	222
Italy	100	U.S.A.	364
Sweden	180	South Africa	480
Denmark	185	(white labour)	

Professor Ohlin gives figures of the number of agricultural workers per square mile of agricultural land which help to explain these startling differences.

TABLE LXXVII
Agricultural Workers per Square Mile of Agricultural Land

Japan	503	Denmark	44
China	260	U.S.A.	11
Italy	89	Australia	1
Germany	80	Argentina	1
Sweden	50		

Another aspect of the case is indicated by Professor Ohlin, who points out that there are 8,821 head of live stock for 100 workers in Argentina, 23 in Japan, and 117 in Italy.³

¹ For German evidence see: *Vierteljahrshefte zur Konjunkturforschung* (1930, Berlin), fasc. 2, pp. 84-8.

² Professor Block, *Production and Economics*, cited by Ohlin, *International and Interregional Trade*, 1933.

³ Ohlin, *International and Interregional Trade*, p. 275.

How far low labour costs are a result of rationalization and how far high wages, on the other hand, have been an incentive and an assistance to rationalization, are questions which need further study before drawing definite conclusions.

Rationalization as an Alternative to Wage-reduction. Reduction of costs may be sought, not only by reductions in wages and salaries, but by technical improvements in the process, by various forms of rationalization, and a reduction of the charges on capital. There are strong social reasons for examining these possibilities before resorting to wage-reductions. The joint Report of the Melchett-T.U.C. Conferences in 1929 suggested that the problem of high costs should be met by rational organization into larger units, the reorganization of finance, and the substitution of modern plant and technique for existing machinery and methods.

In an Addendum to the Report of the Macmillan Committee on Finance and Industry, signed by Sir Thomas Allen, Messrs. E. Bevin, J. M. Keynes, R. McKenna, J. Fraser Taylor, and A. A. G. Tulloch, the case is well summed up for maintaining the standard of living. If all countries seek equilibrium by competitive wage-cuts, 'We should merely confirm the low level of prices and rivet on our shoulders an intolerable burden of debt fixed in terms of money.' Apart from the possibly insuperable difficulties in an all-round reduction of wages and salaries, there is the grave problem of social justice presented by a proposal to reduce them while leaving untouched money incomes protected by contract. They conclude: 'It may well happen, if we can gain a breathing space, that the recovery of world prices, the revival of business optimism, the reorganization of the older British industries and the steady increase of technical efficiency may eventually render unnecessary a reduction in the prevailing level of salaries and wages.'¹

Professor Ohlin has pointed out that a general cutting down of costs and wages would not necessarily stimulate investment; it would, in fact, slow down the technical improvement of industry and diminish the demand for equipment. A 25 per cent. reduction in wages in a factory does away with the inducement to buy improved machinery. If it were possible to reduce wages and costs in capital-goods producing industries but not in consumers'-goods industries it would be a different matter. But it is precisely in capital-goods industries that monopoly interest is strongest.² In every depression the general price-level falls more than the prices determining costs.

¹ Cmd. 3897 of 1931, pp. 208-9.

² Article in the *Stockholm Index*, cited in *Monetary Policy and the Depression*, Royal Institute of International Affairs, 1933, pp. 46-7.

Nevertheless, rationalization, though generally reducing labour costs, often brings an increase, both relative and absolute, in other costs—the interest on the cost of machinery, replacement charges, management, &c. These increases may absorb, to some extent, the benefits derived from the increased productivity of labour, and hence, as rationalization progresses, and there is an increase in productive capacity, any falling off in demand for products becomes correspondingly more costly for the undertaking of the industry concerned. That is to say that the cost of idle plant is greater, and depression in a highly organized industry working short of full capacity is more serious than in less organized industry. As production decreases, the total cost per unit of product increases. Rationalization depends for its success on the full utilization of productive capacity. This applies not only to single industries, but to industry as a whole, and in almost every country industry is working at a level well below its possible productive capacity.

4. *National Considerations affecting the Level of Wages*

The Population Factor. The price of labour, as of other things, is dependent on the relation between supply and demand. Wagemann suggests that the difference in the intensity of industrial development in different countries inevitably led to structural differences in international trade. The lower the density of the population, the greater difficulty there is likely to be in finding workers. A low density of population is likely to mean a high demand for labour, with consequent high wages and low price of land. Wages in the metal industry show high rates for new countries such as Canada, Australia, New Zealand, and the Argentine, less high rates in Russia, which is semi-capitalized, low rates in older countries such as Spain and Hungary, and relatively high rates in Great Britain and Germany, though not so high as in the United States.¹ It is clear that these differences can be explained only partly by labour supply; the degree of capital development is also a determining factor. Highly capitalized countries on the whole have wages higher than semi-capitalized countries, and in the newly capitalized countries, if there is in addition a low density of population, they are highest of all. In addition to the domestic supply there may be alien imported labour, and the competition of cheaper labour, imported as an element in imports from foreign countries.

Immigrant Labour. In the United States of America there is in

¹ See the figures in Wagemann (E.), *Struktur und Rhythmus der Weltwirtschaft* (1931, Berlin), p. 56.

certain occupations the competition of lower-paid coloured labour, a certain amount of low-paid white labour from the hill country in the south, and, up till the imposition of the post-war restrictions on the entry of aliens, the unregulated competition of fresh immigrant labour. Werner Sombart¹ has described the effect on wages of the foreign sources of labour-supply in the history of the Pennsylvanian coalfields. The early immigrants into these fields were of English and north European races, and were still in the majority as late as 1890. Then came Slovaks, Magyars, Poles, Italians, Russians, Roumanians, Ruthenes, Slavs, Armenians, and Serbs. Many of the older workmen passed into other occupations and many moved to the coal districts in the Middle West. But here they were deprived of their livelihood by the pressure of the new immigrants, so that they had to move on to the mines in the south-west, where they still are. The effect of the comparatively recent migration was very plainly evident in the west Pennsylvanian coalfields, where the average wage before the War was below the average in the coalfields to the Middle West and south-west, and where labour was subject to longer working hours and worse working conditions. In 1905-7 the wages of a single man immigrant in full work in comparison with the American worker's wages were as follows:

Italian	79.49 per cent.
Hungarian	69.23 "
Other European workers	53.85 "

In South Africa local native wages are depressed by the influx of labour from outside the British area, especially from Portuguese East Africa, where the pressure of population on subsistence is very great. The tendency in a country like South Africa, inhabited by distinct races, of varying degrees of civilization, is for skilled labour to fall practically in its entirety to the superior race and for the inferior race to render all the unskilled labour. Consequently wages as between the skilled and unskilled show a very great disparity. The two labour factors are complementary rather than competitive.

U.S.S.R. The low standard of efficiency of new industrial labour in the U.S.S.R. led to a wage-system graded according to output. Improved technical organization and equipment led to pressure, in the spring of 1935, for the revision upwards of the standards of individual output on which wages are based. The State Plan for 1935 was calculated on the basis of an increase in individual output of 14.3 per

¹ Werner Sombart, *Das Wirtschaftsleben im Zeitalter des Hochcapitalismus* (1927, Munich and Leipzig), vol. i, p. 451.

cent. and of 19·4 in general production, while the number of workers was to show a relatively small increase ¹

Labour of Women and Children. The main element in cheap domestic labour in recent times has been the work of women and children. This threat to wages in advanced industrial countries has been met to some extent by the inclusion of women in trade unions, and by limits set to the exploitation of child labour. Both in the United States and in Great Britain, however, current statistics still include a certain amount of child labour. Ill-paid juvenile labour in between the school-leaving age and 18 or 20 undoubtedly affects wage-rates. The position is improving.

In Japan one of the factors tending to depress wages in the textile industries is stated to be the constant supply of young girls available from the rural districts. The main reason, however, for the cheapness of labour in Asiatic countries is undoubtedly the structure of society and the relatively few 'wants' of the wage-earners. This condition is gradually changing, but the change is a long-term process, and cannot be expected to even up the wages demand with that in western Europe or America for a long time.

5 *International Comparisons of Labour Costs*

That there are considerable divergencies in labour costs as between countries cannot, of course, be denied, and these divergencies are of great importance in the export trades.

Coal. The relative average output of coal per man-shift and the relative average labour cost per ton of saleable coal (i.e. after elimination of waste by washing and screening) in 1931 are shown in the following table, expressed as index-numbers (the average labour costs having, for this purpose, been reduced to a common currency—Swiss francs—and the average output and the average labour costs in the Ruhr district of Germany having been taken as equal to 100).

Only a small part of the coal produced enters into international trade, but the great divergence in labour costs shown by these indices indicates the handicaps on the export from certain countries. In the case of Great Britain, the figures are given on the basis of the exchange rates before and after the leaving of the gold-standard, and show a considerable difference in competitive costs. These figures do not represent the total cost of coal placed on the international market, but they are especially important, since labour costs constitute the heavier part of the cost price of coal at the pit-head.

¹ International Labour Office: *Industrial and Labour Information* (April 1, 1935, Geneva), p. 9, citing Soviet Labour journals.

TABLE LXXVIII

Indices of Average Labour Cost per metric ton of coal in 1931

Country and district	Relative average output per man-shift (all workers)	Relative average labour cost per ton of saleable coal (all workers)	
		excluding employers' contributions to social insurance	including
Great Britain .	74	{ 149*	{ 135*
Belgium .	..	{ 112†	{ 101†
Czechoslovakia .	69	159	145
France .	48	102	97
Germany:		155	145
Ruhr	100	100	100
Upper Silesia . . .	106	73	74
Netherlands	83	128	122
Poland	92	63	60
Saar	56	163	152

* Based on average rate of exchange for Jan.-Sept. 1931 (£1 = 24.93 Swiss francs).

† Based on average rate of exchange for Oct.-Dec. 1931 (£1 = 18.75 Swiss francs).

Manufacturing Industries. The indices given above are derived from an inquiry into wage-rates in the coal industry in different countries made by the International Labour Office.¹ The first of a series of special inquiries into wages and hours in individual industries in the principal industrial countries was published in the *International Labour Review* for September 1934. It includes conditions in the cotton and woollen industries in Australia, Austria, Canada, China, Czechoslovakia, India, Italy, Japan, Poland, Sweden, Switzerland, the United Kingdom, and the United States.

6. Wages during the Depression

Calculation of Real Wages. The International Labour Organization publish in the *International Labour Review* and in the *Year Book* of the Organization figures of wages and of official cost-of-living rates. Some reservations are necessary in studying the figures.² The index of wages may be based on weekly rates, day rates, hourly rates, or hourly earnings. Obviously the indices cannot represent total earnings, as the average of hours actually worked is not taken into

¹ See *International Labour Review*, Sept. 1933.

² See the *Report of the Conference of Labour Statisticians* at Geneva in 1925, reported in the *International Labour Review*, July 1925.

consideration. But they throw a certain amount of light on the degree of adjustment during the depression,

In calculating real wages there may be some error in the series where a different basis of estimating family budgets has been adopted, as in Germany and in France, or error may arise even if the same method of budgetary calculation is retained, when there has in fact been a change in the character of ordinary working-class expenditure. With regard to the German figures it is essential to remember that they refer to those in ordinary employment and not to the number employed on relief work of various kinds.¹

The general trend of real and nominal wage-rates is shown in the following table. The data themselves vary in their scope. In some cases they refer to an average calculated over all labour, in others to adult male labour only. There are other variations. For more exact information the inquiries into wage-rates published from time to time in the *International Labour Review* must be consulted.

¹ *Wages.* Various cuts in the salaries and wages of persons employed by the Reich were made by successive decrees (July 26, 1930; Dec. 1, 1930, July 1, 1931; August 24, 1931), and parallel economies, in some cases more drastic, were made by the State Governments. Finally the Emergency Decree of Dec. 8, 1931, applying to the Reich, the States, and the municipalities, reduced the pay of officials by 9 per cent. of the Oct. 1927 rate. This time there was no free limit—the lowest rates were cut.

The cumulative effect of these reductions was that official salaries fell by 20 to 21 per cent., to the nominal levels of Dec. 1924. (It is difficult to estimate the fall in earnings outside the public services. Hourly rates do not show the real fall, because of the uncertainty of the number of hours worked.)

But the wage-conditions of the public provision of work for the unemployed are known. Those employed on road works and other forms of relief work (except skilled men taken on for technical reasons and not because of unemployment) receive, in addition to any benefit to which they are entitled (standard benefit, transitional benefit, or relief), vouchers to the value of 25 marks a month, which may be cashed only at special stores for clothing and household goods, not food; and one hot meal per day, provided by the employing authority, or its equivalent in money.

There are three categories of employed workers:

- (1) Those under an ordinary contract of service in industry,
- (2) Those not under an ordinary contract of service, but employed under the Welfare Law,
- (3) Those employed on road work and certain other tasks under the Hitler re-employment scheme.

The latter group, expected to absorb about 400,000 men, are not much better off than if they had merely unemployment relief, as the 25 marks per month worth of clothing, &c., and the daily meal will hardly do more than make up for the additional wear and tear, travelling, &c.

Any general accurate statement on the level of German wages is impossible. The only certain thing is that a large part of the re-employment is at an excessively low level. The aggregate income from wages and salaries began to show a slow increase towards the end of 1933. (See Thomas (Brinley) in Dalton (Hugh) and others, *Balanced Budgets* (1934, London), pp. 110-12, 152-3.)

TABLE LXXIX

Index-numbers of Nominal and Real Wages in Various Countries¹

(Base: 1929 = 100)

Countries	Wage data	1930 (average)	1931 (average)	1932 (average)	1933 (average)	1934			
						March	June	Sept.	Dec
Nominal wages									
Australia	Hourly rates	98	89	84	81	81	82	82	—
Belgium	Hourly earnings	108	101	92	90	89	87	84†	—
Czechoslovakia ²	Hourly minimum rates	102	103	103	102	102	100	99	99
Denmark	Hourly earnings	102	102	102	102†	102	102	103	—
France ³	Hourly rates	109	108	104	104	*	*	104	*
Germany	Hourly rates	102	97	82	79	79	*	*	79†
Great Britain and Northern Ireland	Weekly rates	100	98	96	95	95	96	96	96
Italy	Hourly earnings	99	90	86	84	83	82	81	82
Japan	Daily earnings ⁴	95	87	85	86	91	87	87	—
"	Daily earnings ⁴	97	91	92	91	94	91	90	—
Netherlands	Hourly earnings	102	100	93	89	*	87	*	—
New Zealand	Weekly minimum rates	100	93	86	82	82	82	82	84
Poland	Hourly earnings	99	93	85	78	74	74	73	—
Union of Soviet Socialist Republics	Monthly wages	107	125	150	165	181	193	—	—
United States	Hourly earnings ⁵	100	96	84	83†	95	99	101	101
" "	Weekly earnings ⁶	91	79	60	62†	72	73	68	73
" "	Weekly earnings ⁶	93	84	69	68	77	77	74	78†
Real wages ⁷									
Australia	Hourly rates	103	105	104	104	103	103	103	—
Belgium	Hourly earnings	104	109	111	109	108	112	109†	—
Czechoslovakia ²	Hourly minimum rates	102	107	109	110	111	107	108	109
Denmark	Hourly earnings	107	114	114	110†	109	107	107	—
France ³	Hourly rates	104	106	110	111	*	*	112	*
Germany	Hourly rates	106	109	104	104	102	*	*	100†
Great Britain and Northern Ireland	Weekly rates	104	109	110	112	111	113	110	109
Italy	Hourly earnings	103	103	104	106	105	111	110	110
Japan ⁴	Daily earnings ⁴	111	117	112	107	110	107	105	—
"	Daily earnings ⁴	113	121	123	113	115	111	109	—
Netherlands ⁵	Hourly earnings	106	111	111	107	*	104	*	—
New Zealand	Weekly minimum rates	103	103	102	104	102	101	102	104
Poland ⁶	Hourly earnings	106	110	111	112	109	113	112	—
Union of Soviet Socialist Republics	Monthly wages	*	*	*	*	*	*	*	*
United States	Hourly earnings ⁵	104	111	108	111†	121	126	124	125
" "	Weekly earnings ⁶	94	92	77	38†	92	92	85	90
" "	Weekly earnings ⁶	97	97	88	88	*	96	*	96†

The sign * signifies 'no figures exist'; the sign — 'figures not received'; the sign † 'provisional figure'.

¹ For notes on scope and methods see *International Labour Review*, Aug 1933, Feb. 1934, Nov. 1934, and Feb. 1935.

² Capital town only, for France, figures for October of each year.

³ Bank of Japan series.

⁴ Imperial Cabinet series.

⁵ National Industrial Conference Board series.

⁶ Bureau of Labour Statistics series.

⁷ Calculated by dividing the index numbers of nominal wages by the official index numbers of cost of living.

⁸ The index numbers of cost of living taken refer to one of the principal towns in the country (Tokyo, Amsterdam, Warsaw).

Source: International Labour Office, *Report of the Director* (1935, Geneva), p. 88.

Though real wages per hour or per day or per week have not fallen universally in the period 1930 to 1934, there has been in many countries (France is a case in point) an increase of partial unemployment, and therefore in the industries especially affected annual earnings of individuals have fallen. The total wages bill has decreased. Where the figures are weighted for unemployment they give a very different picture from that presented by the curve of hourly rates. The figures given for the United States in the above table show the great difference between the course of hourly rates and weekly earnings during depression, and illustrate the misleading character of statistics based on hourly rates in these circumstances. Nominal hourly earnings showed an improvement and real hourly earnings a great advance in 1934 over 1930, but weekly earnings showed a decrease amounting at one point to over 30 per cent. in dollars and a smaller decrease, but still a decrease, in purchasing power.

Readjustments of Labour Costs. Curves based on the figures in Table LXXIX indicate that for industrial workers *who were fortunate enough to be in continuous employment*, and whose hours had not been reduced, conditions were in most cases better at the end of the depression than at the beginning. This was not the case in agriculture, where heavily falling prices brought reductions of wages in many countries: Great Britain, with regulated agricultural wages, and France, with a highly protected industry and until recently a shortage of agricultural workers, were exceptions. In the United States real wages in agriculture had fallen at the end of 1932 to 59 per cent. of the 1929 level; by the end of 1933 they had recovered a little, but even then they only stood at 65 per cent. of the 1929 figures.

Generally speaking, the year 1932 was a period of gradual readjustment of labour costs, shown in the decline of wages in Japan, Germany, and the United States. In Japan and Germany the reduction continued in 1933-4. Early in 1933 the United States gave up the struggle when it was almost over. The N.R.A. codes were devised to increase rates in the lower-paid occupations, and to shorten hours.¹

¹ On the National Recovery Act Wages and Hours Programme Sir William Beveridge points out that the cure for depression in the past has come by waiting until the fall of costs (through reduction of wages and interest rates), combined with the physical wearing out of capital goods, so as to call for their replacement, appears to make renewed production of capital goods profitable once more and so to attract investment. The consequent inflation of credit leads to a rise in prices and then to a rise in wages. Credit, prices and wages begin to move upward again *in that order*. Therefore, in prescribing shorter hours and higher wages the N.R.A. programme 'directly reverses the normal course of recovery, by pushing up first wages, that is to say, costs of production'. ('Aspects of the American Programme', in *Economica*, Feb. 1934.)

This was, of course, intentional and was done in the belief that an increase in purchasing-power was more essential than a reduction of costs. The United Kingdom has so far continued to get the best of both worlds, for exports have ceased to fall and the home market has expanded without an appreciable reduction of real wages. On the other hand, the rise of Japanese exports seems in a large measure to have been effected at the expense of the working population.¹

The indices of money wages in Australia stood very high in 1929, for some categories of workers at nearly double the figure of 1913. Readjustment was secured in 1931-3 by heavy cuts in agreed rates which were accepted at the same time as large economies in other directions.² In the United States the situation was different. Mr. Donald Richberg, reporting to the President, stated that in spite of the increase in hourly rates of wages in the year ending June 1934 by 26 per cent., average weekly earnings in manufacturing industries rose only 8.5 per cent. mainly owing to the reduction in hours. Taking into account the increased cost of living the average workman's real income showed little change. But the total wage-bill in certain industries increased by 37.5 per cent., and consequently there was a considerable improvement, even after allowing for an approximate 10 per cent. increase in the cost of living, for the whole body of workers concerned in those industries.³

In some industries the fall in wage-rates was considerable. An inquiry into wages and hours of male workers in foundries and machine-shops in the United States during the period April-June 1933 shows that average hours had fallen to 29.4 in 1933, as against 48.8 in 1929. Simultaneously average hourly earnings had fallen 22.7 per cent. and average weekly earnings by 53.2 per cent., from 30.50 dollars in 1929 to 14.28 dollars in 1933. A similar inquiry into wages and hours in the silk and artificial silk goods industries (*Monthly Labour Review*, Nov. 1933) showed an average fall in weekly earnings from 18.47 to 11.85 dollars, or 35.8 per cent.

Investigation of the wages and hours of textile workers in Germany carried out in September 1933 shows that gross weekly earnings had declined between 1927 and 1933 by proportions ranging between 7 per cent. (for male assistants in the knitted-goods industry) and 41 per cent. (male frame-workers in the hosiery industry). These reductions are officially explained by the fall in the cost of living (from

¹ *The Economist*, June 2, 1934, p. 1188.

² See the illuminating diagram in *Official Year Book of the Commonwealth of Australia, 1933* (1934, Canberra), p. 735.

³ *Industrial and Labour Information*, Oct. 22, 1934, p. 95.

147.1 to 119.0) in this period, as well as to the business depression in 1933 and short-time working.¹ The results of a statistical inquiry into earnings in February 1934, covering the weekly earnings of 4 million workers, showed a total wage-bill giving an average of 26 marks per wage-earner. The average in building, metal work, and in public undertakings was higher; among ordinary factory hands it was between 20 and 21 marks.²

7. *Total Earnings. The Share of Wages and Salaries in the National Income*³

Proportion of Earnings to National Income generally maintained
The following table shows the varying proportions of the total national income³ falling to wages and salaries, according to available information on national incomes. Since a degree of uncertainty attaches to estimates of income, they must be read with due reservations.

TABLE LXXX

Percentage of National Income paid as Wages and Salaries

<i>Year</i>	<i>France*</i>	<i>Germany*</i>	<i>United Kingdom</i>	<i>United States</i>
1913	43.6	45.3	54.5†	51.8
1924	46.4	..	63.3	56.1
1925	44.6	56.3		55.9
1926	43.6	55.5	63.0	56.8
1927	44.1	54.9	63.5	56.8
1928	44.4	56.5	64.2	56.0
1929	47.1	56.6	62.4	65.2
1930	50.3	56.4	61.4	64.5
1931	51.3	57.9	65.7	64.8
1932	52.2	56.4	67.0	64.5‡

* Post-war territory.

† Figure for 1911.

‡ For the sources of these figures see *World Economic Survey* (1934, Geneva), p. 160, and the earlier volume in 1933, p. 101. The French figures are non-official calculations; the German, official figures, the British, estimates by Mr. Colin Clark; the American figures, for the earlier years estimates by Mr. W. I. King, for the depression period, the Department of Commerce. The lines inserted in the tables indicate the breaks in the series.

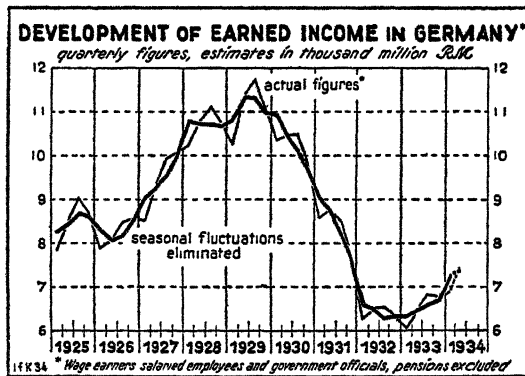
¹ *Ministry of Labour Gazette*, March 1934, p. 86.

² London and Cambridge Economic Service, Supplement to *Monthly Bulletin*, Aug. 7, 1934, p. 228.

³ The term is open to some criticism. For the different methods of calculation see papers read by Sir Josiah Stamp and Professor Bowley before the Royal Statistical Society, April 17 and May 15, 1933.

During the present depression there has been a heavy fall in total national incomes which necessarily bears hardly on the salaried and wage-earning classes, even where the proportion of the national income accruing to these classes has been maintained or even increased. The proportion received by wage-earners and salaried employees in the United States was fairly maintained between 1929 and 1932, but total wages and salaries had fallen from \$53,300 millions to \$28,200 millions. The drop in pay-rolls in other countries, though on a smaller scale, was considerable. In Italy pay-rolls fell from 6,040 to 4,100 million lire, and in Germany pay-rolls fell from 44,500 to 25,700 million RM.¹ Earned income (of wage-earners, salaried employees, and officials) in Germany increased from about 6,900 million RM. in the first quarter of 1934 to almost 7,500 million RM. in the second quarter of 1934. Quarterly figures for Germany are shown below

DIAGRAM XIII



Weekly Report of the Institut für Konjunkturforschung, Berlin, August 15, 1934.

Reproduced by courtesy of the Institut für Konjunkturforschung, Berlin.

These total pay-rolls are the real test of the general condition of the body of employed persons. The indices in the following table for Germany, the United Kingdom, and the United States are based on incomes. They are not adjusted by the cost of living, and, on account of the different bases on which the estimates are made, are not comparable *inter se*. Figures for 1934 would show improvement.

The fall in Great Britain was much less than in Germany and the United States. For earlier years, a comparison of total earnings, wages, and salaries made by Mr. Colin Clark on the basis of the Censuses of Production of 1924 and 1930 suggests that the fall in incomes fell mainly on industrial workers. Mr. Colin Clark² points

¹ *World Economic Survey 1932-3* (1933, Geneva), p. 108, where the sources of the various estimates are shown.

² In a note to the Study Group.

TABLE LXXXI

Quarterly Indices of Earned Incomes in Germany, United Kingdom, and U.S.A.

(Base: Quarterly Average 1929 = 100)

		1930	1931	1932	1933
Germany .	I	93	77	57	54
	II	94	79	59	58
	III	94	76	59	61
	IV	87	69	58	61
United Kingdom .	I	98	91	89	88
	II	96	91	88	
	III	95	89	87	
	IV	94	91	89	
United States .	I	82	58	49	36
	II	88	64	43	42
	III	76	55	38	51
	IV	70	47	39	51

Germany. Incomes of workers, employees, and officials, pensions excluded. Unadjusted for seasonal movements. Figures of the Institut für Konjunkturforschung.

United Kingdom. Wages and salaries under £250. Adjusted for seasonal movements. Mr. Colin Clark's figures.

United States. Pay-rolls of wage-earners and employees. Unadjusted for seasonal movements. National Industrial Conference Board figures.

(Source: League of Nations: *World Economic Survey, 1933-4* (1934, Geneva), p. 167.)

out that 'the wages in the Census of industries, excluding Public Utilities, show a fall of some £40 millions in 1930 as compared with 1924. But the number of non-industrial wage-earners in work is estimated to have risen by approximately a million between 1924 and 1931. The number of insured persons in work was almost exactly the same in 1931 as in 1924, but there had been a very large movement within the total from worse-paid to better-paid employment. For instance, miners and agricultural labourers, relatively low-paid large classes, numbered 23·3 per cent. of all males in work in 1924, and only 17·8 per cent. in 1931.'¹

Finally, in the share accruing to the wage-earning and lower salaried workers must be reckoned that part of the benefits of social insurance of various kinds which is not financed out of wages.

8. *Economic Wage-rates*

Level of Wages before the Depression. The controversy on whether high wages are a substantial contributory cause of depression centres

¹ For a further discussion see Mr. Clark's article in *Economic Journal* Sept. 1934.

round pre-depression wages, i.e. wages between 1924 and 1929. That is to say, was the price of labour seriously out of line with other prices during this period? Adjustments in favour of labour during and after the War were required, but was the process too rapid? (In the United States a policy of high wages was pursued on the ground that thereby spending-power would be increased and the products of industry absorbed.)

In Germany real wages during the War were actually lower than before, except in the industries supplying raw material. During the period of inflation increases frequently lagged behind the rapid process of inflation, but it appears that on the whole real wages advanced in 1920-1 and decreased in 1922-3. Immediately after the stabilization of the mark, low rates of wages prevailed, the workers' unions were weakened by unemployment and the wiping out of their funds by the inflation, and the employers carried their point that only by reduction in wages and extension of the working day could the German industry meet foreign competition. From January 1924 onwards detailed material for the course of wages is available. Nominal wages rose with increasing improvement in the industrial situation, the increase being greater for adult male skilled workers. The nominal wage-rate per hour for unskilled workers rose from 44.2 pf. in January 1924 to 80.9 pf. in December 1928, while the cost of living only increased by about 20 per cent.¹ This period of rising wages was characterized by a considerable added efficiency in production. Even with this improvement it is doubtful whether wages had done more than recover from the deterioration in the immediate post-war years. Special inquiries into certain trades in 1928 to 1929 showed an improvement varying from 1 to 10 per cent. in real wages, in comparison with the estimated pre-war level. Probably the German worker in 1928-9 was 'either a little worse off or not much better off than he was before the War. His position, however, had been improved by social legislation.'²

In Great Britain the general wages index remained relatively stable after the fall in 1921-2 up to 1929, while the cost of living (1914 = 100) fell from an average of 174 in 1923 to 164 in 1929.

For Canada the Dominion Bureau of Statistics calculates that real earnings in manufacturing rose by 13.6 per cent. over the period 1917-30. This fact is interesting in reference to a comparison now

¹ For a detailed description of wages and employment movement in 1920-8 see a paper read by Professor Bresciani-Turroni before the Royal Statistical Society, *Journal*, part iii, 1929.

² Mr. F. S. Flint in discussion p. 418 of the paper cited above.

being made of average earnings in Canada at the census periods 1921 and 1931. Average earnings among male wage-earners during the period June 1, 1920, to June 1, 1921, were \$1,057. According to preliminary census figures for 1931 average male earnings for the year ended June 1, 1931, were \$927. When allowance is made for differences in the cost of living at these separate periods—in December 1920 the cost-of-living index stood at 190 as compared with 151 in December 1930, on the 1913 base—the average male wage-earner was somewhat better off in 1931 than in 1921. 'This condition is even more significant when it is remembered that the average duration of unemployment for males during the census year ended June 1, 1931, was about 11 weeks while at the preceding census period it was only one half as long—approximately $5\frac{1}{2}$ weeks. The rise in real wages over this period was probably brought about without increasing labour costs'¹

Price-trends and Wages. The evidence based on wages alone offers little ground for generalization on the question of wages and unemployment. Even if a parallel is established there may be other forces at work which affect the course of one or another. All that can be safely asserted is that excessive wage-costs, which depend, as we have seen, on many other factors, must tend to reduce (except in the case of a monopoly) the sale of the product and therefore tend to reduce employment.

The available data on the history of price-movements appear to show that in a period of falling prices from the end of the Napoleonic Wars to about 1845 or 1850 the wage-earning classes in Great Britain were very badly off, and real wages at the best were only rising very slowly. During the first period of rising prices, from the early fifties to the early seventies, the rate of real wages was rising fast. Consumption increased rapidly. The total value of the imports of food and drink per head of the population rose in one decade from £2 18s. in 1861 to £3 18s. 9d. in 1871. During the second period of falling prices to about 1895 wage-rates continued to rise. From 1896 to 1913, when prices were again rising, the change in wage-rates was relatively small.

'From these facts', says Professor Pigou,² 'it is impossible to establish any sort of statistical connection between price trends and the rate of real wages. The witness of the first two periods suggests that rising prices are associated with greater benefit to that rate than

¹ Information supplied by the Dominion Bureau of Statistics.

² Pigou (A. C.) and Robertson (D. H.), *Economic Essays and Addresses* (1933, London), p. 15.

falling prices, the witness of the second two periods suggests an exactly opposite conclusion.'

Professor Robbins's View In discussing the various rigidities in the economic structure which present hindrances to recovery Professor Robbins¹ has discussed the inflexibility of wage-rates.² His main contention is for the elimination of all kinds of inflexibility, including governmental or industrial action in the control of markets. While much of the severity of the depression is due to the operation of cartels in industry and to grant buying agencies in commodity markets, 'the consequences of inflexibility have been particularly apparent in the labour market'. He continues:

'It would be a mistake to say that the existence of a large body of unemployment is necessarily due in the first instance to wage rates which have been pushed above the point at which employment would be normal. The initial change may come as a result of some monetary maladjustment—the restoration of the exchange at too high a level, for instance; or it may originate in some movement of the conditions of real demand for the products of the industry or industries in question. Nor is it true to argue that if wage rates were perfectly plastic all unemployment would disappear. Some unemployment exists at the height of prosperity, and in times of severe slump a complete absorption of all the unemployed within a very short period is not to be hoped for. But in general it is true to say that a greater flexibility of wage rates would considerably reduce unemployment, in particular, that a greater flexibility of wage rates in the industries first affected by fluctuations would almost certainly diminish the spread and the violence of the repercussions of these movements. If it had not been for the prevalence of the view that wage rates must at all costs be maintained in order to maintain the purchasing power of the consumer, the violence of the present depression and the magnitude of the unemployment which has accompanied it would have been considerably less. If the obstacles to cost adjustment in Great Britain had been less formidable the whole history of the last ten years would have been different.'

Professor Robbins's argument is not for widespread and permanent reduction, but for a greater plasticity in wage-agreements, and for

¹ *The Great Depression* (1934, London), pp. 185 et seq.

² On the question of the rigidity of wage-rates it is of some importance to note that wages in certain industries in Great Britain are adjustable either in relation to the cost of living or in relation to the selling price of the product. Rates adjustable in relation to the cost of living obtain in textile bleaching, dyeing and finishing, building, some railway occupations, paper manufacture, and some sections of the electrical industry. Wage-rates varying with fluctuations in selling prices prevail in important sections of the iron and steel industry. In so far as the adjustment to the cost of living is effective this means, of course, stability of real wage-rates.

a fuller consideration in trade-union policy of the possibilities of employment.

Alternative Provision for Standard of Living. Professor Pigou has suggested that in no case does industry provide for all its workers a 'living wage'. Wages are insufficient to meet the demands of large families,¹ of sudden emergencies such as accidents and long-continued sickness, and, of course, unemployment. This has been to some extent recognized in the various forms of insurance. Although an individual industry may not be able to support higher wages, there is still room for further expenditure at the expense of the richer part of the community on social service which would equalize the standard of living. He therefore pleads for a continued expansion of these services, even though there is already a complaint that these charges have risen to their maximum. The demand for a living wage should be exchanged for a demand for a standard of life. The general standard of living is affected by a hundred factors outside wages, and it is to the improvement of these conditions rather than to actual new heavy charges in the form of wages on industry that we may have to look for further improvement. In the Aneurin Williams Memorial Lecture 1926 he says:

'The State has the power to raise large amounts of money from relatively well-to-do persons without causing the national heap of real income to contract seriously. Suppose then that it uses resources so raised to build up human capital, to educate and, if necessary, to feed children in the plastic period of their lives; to combat such potent causes of disease as overcrowded and insanitary houses; to cure, so far as may be, sickness in its early stages, to ensure that temporary failure to find work shall not destroy for ever the skill or the morale of those unfortunate enough to suffer from it. Expenditure in these ways may be expected to yield in the end a large return in productive powers, so that in the net result—I say nothing of non-economic gains—the size of the national heap, so far from being cut down, is substantially expanded. There is no element of loss to set against that gain.'²

The development of social services is evidently an important factor in the distribution of the national income, i.e. assistance to the general standard of living by good social services means that the workers receive, in addition to wages, a share of the income from interest.³

Disparities in Wage-rates in Great Britain. It is constantly said that one contributory cause of unemployment in Great Britain is

¹ This difficulty is met in some European countries by the system of family allowances.

² Pigou (A. C.) and Robertson (D. H.), op. cit., p. 59.

³ Professor Zeuthen in a note to the Study Group.

that wages in sheltered industries and particularly in the fundamental industries such as the transport industry, the charges of which have an important effect on the costs of heavier industries (coal, iron, and steel, &c.), are relatively too high.

In Great Britain calculations based on the changes in the rates of wages in various industries between 1914 and 1924 show that the prevailing rates of increase in trades most exposed to foreign competition¹ ranged from 45 to 75 per cent. with an average of about 60 per cent., while those for the sheltered trades ranged from 80 to 120, with an average of about 100 per cent. There is a discrepancy in the actual level of money-rates. The average of weekly rates of time wages in June 1925 for exposed industries was about 58s. for skilled men and 45s. for labourers. The rates in the sheltered trades for skilled and unskilled men were over 73s. and 50s. respectively.² It is argued that there is a wrong distribution of high and low wage-rates, and consequently a wrong distribution of labour, and difficulty in moving labour between industries. Sheltered industries have been able, so to speak, to hold the population at ransom, as in the case of certain distributing industries. High charges in transport and the distributive charges, which are certainly maintained at a much higher level since the War, when the various forms of control gave them higher margins than had been customary, do increase the cost of living, and therefore react on wages in that direction, as well as in the direct charges they make upon industry. Too much stress may be laid on this argument. Professor Pigou, after discussing the subject of high wages in sheltered industries in relation to unemployment, concludes that under the special circumstances of Great Britain 'as a remedy for the heavy unemployment of the post-war period, a mere correction of wage inequalities would probably have proved not merely unavailing, but actually harmful'.³

Trade-union Restrictions. The Report of the Balfour Committee on Industry and Trade (p. 96) linked up differences in wage-rates with demarcation problems:

'Whether the new relation between the wages of the less skilled and more skilled classes is permanent or transitory will, in our judgment, depend ultimately upon the question whether the adaptation of productive organization and methods to the changing conditions of modern industry

¹ In Great Britain in 1924 it was estimated that 4,300,000 persons were engaged in production for export.

² For detailed figures and for the reservations which must be attached to them, see the Balfour Committee on Industry and Trade, *Survey of Industrial Relations* (1926, H.M.S.O.), pp. 84-92, where the disparities are to some extent explained.

³ Pigou (A. C.), *The Theory of Unemployment* (1933, London), p. 270.

will enable the former class to earn their relatively higher wage by performing all kinds of work for which they have the capacity, without being hindered by restrictions and demarcation difficulties or by defects of organization. In this event any prejudicial effects of the disturbance of the pre-war relation between the remuneration of the more difficult and the less difficult types of work may be remedied in the happiest way. Failing this, the prospect is much less hopeful. For even if the skilled craftsmen were willing permanently to tolerate the relative depression of their wages as compared with those of their less skilled colleagues, the eventual result must be to affect seriously the sources of recruitment for crafts which require a long period of training, and which at the end may offer financial attractions hardly superior to those of occupations for which much less preparation is necessary.'

A long-standing accusation against labour organizations generally is that the conditions which they enforce with regard to entrants, overtime, 'dilution', &c., add to the rigidity of labour supply. Actually it seems likely that the rigidity arising through trade-union action has been overrated, and may be more or less discounted in the industrial structure, except in one or two industries where there is some overlapping of craft unions.¹ In Germany and Italy the unions' organizations have been forcibly broken up and replaced by organizations under direct government control. Of the Western nations the United States is the only one likely to have to make readjustments on account of the waxing activities of organized labour. The difficulties arising there seem to be due to the fact that organization was too long delayed, and to consequent mistakes due to inexperience. In so far as the trades regulate new entries on an intelligent forecast of opportunity, they save future waste; in so far as they succeed in maintaining good conditions of labour they help to maintain the efficiency of the labour force.

9. Conclusion

The material assembled in this chapter shows how difficult it is to make any general statement on the desirability of an altered wage-level. The question must vary with national conditions. As far as Great Britain is concerned there is already, as we have seen, a good deal of adjustment according to the price-level in certain industries. The demand made is mainly for reductions in the export trades for competitive purposes. Here again conditions vary according to trade. In ship-repairing the disadvantage compared with certain continental ports seems to centre on organization (labour customs) rather than

¹ See *Are Trade Unions Obstructive?* prepared by a Toynbee Hall Group (1935, London).

on wages. In the cotton trade reduction to Far Eastern standards is obviously out of the question. Substantial reductions in wages in the export trades could hardly take place for social reasons, unless they were also reduced in sheltered trades and in commercial and professional incomes. This is, in fact, what takes place to some extent with a devaluation of the currency. Devaluation under certain circumstances may not be followed by a corresponding movement in external prices. In the British case the continued falls in world prices prevented a rise in the cost of living. But it may fairly be said that devaluation means a reduction in incomes all round below the level which would otherwise have been reached.

PART THREE
REMEDIAL MEASURES

SECTION I

THE PROVISION OF WORK

CHAPTER I

STATE POLICY AND EMPLOYMENT

1. *Changes in Political Organization*

THE means taken by Governments and by industry to improve the demand for labour are very varied. Some of them, adopted under the pressure of bad trade, are empirical in character ; others are adopted as permanent elements in economic organization. The latter, in certain outstanding cases, have been so extensive as to amount to a reorganization of the whole national system, in varying degrees. The far-reaching changes made in the Russian, Italian, and Turkish economies do not, however, derive directly from the pressure of unemployment, but rather from the violent disorganization in those countries in the post-war years before depression began. The direction which policy has taken in all three is determined by political as well as purely economic motives. On the other hand, the transformation which is taking place in Germany and in the United States, on different lines, is largely due to the overwhelming character of unemployment during the depression. Basic changes of national policy, whatever their direction, necessarily include the labour market in their scope, and very varying claims are made as to the effects on employment.

U.S.S.R. The Russians claim to have abolished unemployment ; it seems highly improbable that unemployment on any large scale exists. It has never been denied that unemployment can be reduced to a minimum, under certain conditions of adequate natural resources, if the sacrifices demanded in the form of lower standards are accepted. In any case the question differs fundamentally from that in western European countries.

In a gigantic effort to organize not only European Russia, but the whole of Siberia and large areas of Central Asia, there is abundance of employment ; the problem does not arise from any disparity in the total demand for and the total supply of labour, but from the almost insurmountable difficulties of collecting the right kind of labour at the right place, given the resources of the labour-supply, the wide area to be covered, together with insufficient means of communication. Some wastage under the circumstances seems inevitable.

Italy. The Italian scheme of the corporative state is in process of completion, and a large degree of reorganization of the labour market is being attempted, but there has not been time for the full effects to appear. Regard must be had to the special difficulties of Italy in the shortage of raw materials and the necessity of maintaining an export trade at a time of general decline in world trade.

United States. The less obviously revolutionary, but drastic changes under the American Recovery Administration have been in operation for a short time only, and their continuance is doubtful; employers' returns showed an improvement in 1934, but it is difficult to know what part of the reduction in unemployment was due to natural recovery from depression and what to shortened hours and other measures. In fact some observers put the question in the reverse order, and ask how far recovery was hindered by the methods adopted—so little general agreement is there on the principles involved. The experiment is on a vast scale; its results cannot fail to be instructive. The aim of the 'New Deal' was a middle way between American industrialism and socialism: an attempt to provide a transition from a purely competitive system to a collective economy. The blame for the failure to secure economic security was laid by implication on the system by the authors of the New Deal—a point of view hotly contested by the directors of industry—and the remedy was sought in reform and reconstruction by State action in the collective interest. Under these circumstances the revival of confidence, which is the mainspring of the private enterprise providing the bulk of employment, was inevitably slow. The attempt to find a compromise of this kind necessarily involved apparently contradictory policies. Its execution would be difficult enough in a small centralized State; it was complicated by the various limitations imposed on the Federal Government by State rights. At the time of writing the future of the New Deal is uncertain.

Germany. The difficulty in assessing the results of the impact of the National Socialist revolution in Germany on the labour market is enhanced by the adoption of a new series of unemployment figures based on the German Labour Front. The German experiment has inherent contradictions. On the one hand, the interests of the small middle-class shopkeeper, the small employer, and the small farmer have been protected because these classes provided substantial support for the revolution. On the other hand, the powerful interest of big business makes itself increasingly felt. Additional employment provided by a complicated loan system is precarious, since there must be a limit to State action of this kind; permanent improvement

requires a better financial basis and a restoration of export trade, both of which depend largely on the external relations of the Reich. The German measures are, in the main, emergency measures.¹

It is hard to take an unbiased view of these experiments, because every judgement of them tends to be influenced by political considerations. But it is important to recognize that in certain great industrial countries far-reaching schemes of political and social reorganization have been adopted, and that in all countries there is a growing tendency to intervention by the State in economic life.² The intervention takes many and various forms.

2. *Commercial and Financial Policies*

Generally speaking, the State renders the greatest service to the stability and the increase of employment by ensuring national security and by the development of peaceful relations with other countries. The assurance of continued peace is certainly the best possible single contribution which could be made to the stability of industry and employment. Other normal contributions made by the State towards the maintenance of employment are the regulation, to some extent, of the machinery of credit, the protection of the home market, the development of international trade by means of commercial treaties and the consequent encouragement of industry, together with encouragement and assistance in schemes of rationalization. The degree of success attending these measures is very varied, and, as we have seen, the methods adopted are some of them in the long run restrictive in their effects. Their efficacy depends on the right judgement as to the degree and method of protection or assistance advisable under given circumstances, a judgement which is less likely to be perfect in a time of crisis. It is natural, and perhaps inevitable, that in

¹ The entire economic policy of the Government has been more or less subordinated to serve the end of employment-creation; this is true of the internal and foreign trade policies, of the taxation and credit programmes, as well as of the price-policy and other market regulations. Unemployment has been attacked from all quarters by: (i) public works, (ii) public loans for the stimulation of private enterprise, (iii) withdrawing young men from industry by extending the Labour Service, (iv) encouraging marriage, (v) restrictions on the movement of labour, (vi) restriction according to age-groups, (vii) restriction of hours. The encouragement of private industry took the form of credits under favourable conditions, tax-reductions for new equipment, direct financial aid for repairs, and the subdivision of dwellings; special tax-reductions and special terms for purchasers of motor vehicles. (Institut für Konjunkturforschung: *Weekly Report, Supplement* (Berlin), Nov. 21, 1934)

² See the Reports of the International Studies Conference held at Chatham House in May 1933

a prolonged and serious depression Governments should have regard to securing employment for their own people without always giving due consideration to the repercussions of their policy on employment elsewhere. Certain lines of action have been fairly generally adopted during the recent crisis.

Self-sufficiency. The trend towards autarky, advocated partly as a means of solving the internal unemployment question, has already been discussed as forming one of the important restrictive forces in the modern world. The countries which seek a degree of self-sufficiency for various social and economic reasons do not, and cannot, carry the policy to its logical conclusion, because they desire to maintain their export trade to provide employment for their own people. Germany, for instance, cannot find full employment for her heavy industry in the home market (though the equipment of her armed forces has modified the difficulty), but she seeks self-sufficiency in food-supplies and to some extent in textiles (as the recent propaganda for the use of substitute textiles shows), partly for social and political reasons arising out of her war experience of shortage of food and clothing. The directors of German policy are probably fully aware of the limitations imposed by an autarkic policy, but social and political forces seem to exercise a stronger pull than purely economic considerations, and old Prussia, especially Pomerania and Brandenburg, has a different point of view from Westphalia. Whether the dominance of the 'Prussian' view will be permanent it is impossible to say.

We have seen¹ that similar contradictions occur in the policy of other countries. But it is perhaps worth while to repeat here that many of the restrictions on trade adopted in various countries have been imposed not because they were thought to be in themselves desirable but because *some* measure had to be adopted to meet immediate difficulties caused by exchange fluctuations and to maintain the national currency. But whatever their cause, the reactions on employment are profound.

The difficulties of squaring self-sufficiency with the necessity of maintaining employment in the export trades are obvious enough. Nevertheless many forms of Government intervention are directed to this end, with varying success. The principal methods have been described elsewhere and need not be recapitulated here. One important development is due not to the desire for self-sufficiency, but to the relative facilities for the exchange of goods between countries in which currencies follow approximately the same course. The develop-

¹ In the chapter on Protective Policies.

ment of Empire trade by Great Britain is one example ; the Gold Bloc tend to follow a similar course.¹

Financial Policy. The general financial policy of Governments is an important factor. It has been the subject of many books, including recent studies on *Monetary Policy and the Depression* and *The Future of Monetary Policy* prepared by a Study Group of Chatham House. Employment in export trades is directly affected by the difficulty of forecasting exchange-rates, and world recovery appears to be conditional on finding an issue from the general uncertainty. Though, roughly speaking, the gold countries practise deflation, and the non-gold countries a certain degree of inflation, the line of demarcation is by no means clear-cut. Adherence to the gold standard implies in theory a belief that recovery is mainly a matter of adjusting costs of government and of industry to the lowered level of prices in the depression. Nevertheless, Italy has combined economies in production-costs with large expenditure on public works; France is initiating a public works programme, and her Government initiated in 1935 a plan for cheapening credits to industry; and Switzerland has elaborated and extended her system of unemployment relief. In Belgium financial measures undertaken in the autumn of 1934 were directed towards the lowering of interest rates in order to set business going and relieve unemployment. Simultaneously the Government agreed to underwrite an issue of 2 milliard francs of 3 per cent. bonds by the National Industrial Credit Bank to be lent to sound industrial undertakings in exchange for frozen credits with their own banks. Germany nominally adheres to the gold standard, but has elaborate schemes for the manufacture of credit. Therefore the policies of gold-standard countries cannot be described as consistently deflationary, but on the whole employment in the countries which have maintained the gold standard has been slower to recover.

Nor are the policies of the countries which have left the gold standard all directed towards inflation. It is true that the position of Great Britain, after she went off gold, was eased by the fact that many of the countries from which she drew food and raw materials virtually followed the course of sterling, so that internal prices were not substantially raised. British policy, however, did not pursue an inflationary course. The budget was balanced, and efforts have been

¹ The League Assembly in Sept. 1934 offered an opportunity for the gold countries (Germany not included) to consider the position, and a committee was established to consider the possible extension of trade between the members. The purely financial aspect of their relations had been the subject of an agreement signed at Paris on July 8, 1934, by the governors of the issuing banks of the countries in question.

made to keep public expenditure down. Australia, which went off gold at an early stage, combined drastic economies on State expenditure and in wages with an expansionist policy of public works financed by treasury bills

Depreciation of the currency has no doubt been largely responsible for the great increase in the Japanese export trade. Depreciation in the United States has had quite different aims, among them being the solution of the farmers' debt problem. There are so many distinctions to be made that generalization on the results is impossible. The immediate effect of depreciation of the currency appears generally to be an increase in employment, but, like other emergency stimulants, the doses must be repeated and strengthened if their effect is to be maintained, and the limit must be set somewhere. Moreover, a temporary improvement in the situation of the country practising depreciation may be more than counterbalanced by the disturbance in international trade, which affects all the parties concerned.

Indirect measures for combating unemployment, whether by way of trade policy or of financial measures, are, therefore, of the most varied character, and are at least of equal importance to the measures adopted exclusively with the aim of lessening unemployment. The contrast in the general policy followed by Great Britain and the policy followed by the United States may help to provide the proper perspective for the chapters which follow on special aspects of unemployment policy properly so called.

British Policy. In Great Britain direct measures for the increase of the number of persons in employment, such as additional provision for employment on public works and the shortening of working hours, have not been adopted on a large scale. The policy of transferring workers from depressed areas, though important, has not affected large numbers. The major part of the migration which has taken place has probably been spontaneous. Nevertheless the employment situation has been improved. Indirectly the British Government has taken important steps designed to safeguard industrial and agricultural interests. The abandonment of the gold standard was undertaken by necessity rather than by choice, but its effects were none the less important in cheapening the gold price of British exports, and in improving the position of customer countries which were heavily indebted to Great Britain and therefore stimulating trade. In finance various steps were taken to secure cheaper money, a policy made possible by the successful conversion of the 5 per cent. War Loan. The lowering of the rate of interest on this

large block of public debt affected rates of interest generally. Drastic economies were made in Government expenditure, which, though deflationary in tendency and to a certain extent conflicting with the policy of cheaper money, undoubtedly helped to restore confidence at home and still more abroad. More direct measures were the adoption of a tariff, the efforts made at Ottawa to secure easier conditions for the entry of British goods into Dominion markets, the loan towards building the 'Queen Mary', a subsidy to tramp-shipping, and the encouragement of agriculture by subsidies and by the imposition of duties in some cases, of quota regulations in others, on the imports of agricultural produce. *Pari passu* with these changes proceeded negotiations for a series of bilateral agreements with various countries, stipulating in some cases for a species of barter; industry was further encouraged by a more liberal application of the terms of the Trades Facilities Act; more assistance was given exporters under the Export Credits Scheme.

American Policy. In the United States, under President Roosevelt's administration, the attack has been many-sided.¹ There has been a simultaneous effort to improve the situation by financial measures; by the regulation of industry; by the curtailment of agricultural production; by the stimulation of the building trade; the execution of public works programmes on a large scale, and by extensive measures for the provision of relief. The Treasury took possession of gold stocks, abandoned the coinage of gold, and created a Stabilization Fund for the regulation of the exchanges, and the President received power to revalue the dollar within certain limits, a change carried out in January 31, 1933, on the temporary basis of 59.06 per cent. of its former gold value. The Silver Purchase Act provided that 25 per cent. of currency backing might be in silver. Federal credit was used through the Reconstruction Finance Corporation to reduce rates of interest on mortgages, railways, &c. Wide powers were given to the President for the variation of tariffs with a view to negotiating reciprocal trade agreements. The powers given him also covered many other aspects of economic life. Under the National Recovery Act hours and wages in various industries were subjected to regulation, mainly intended to increase the volume of employment by shortening hours and to raise the level of labour. Industries regulated by code were exempted from anti-trust legislation; the *quid pro quo*, under-

¹ For the texts of the principal Acts see International Labour Office: *National Recovery Measures in the United States* (1933, Geneva); for a description of the general legislation see Steel-Maitland (Sir A.), *The New America* (1934, London). See also International Labour Office: *Social and Economic Reconstruction in the United States*, Studies and Reports, Series B, No 20 (1934, Geneva).

stood by Labour to be granted under Section 7 of the National Recovery Act, of the right to free trades unionism, proved to be less certain. For the first time a concerted attack was made on the employment of child labour. The restriction of output of certain crops was strongly urged, and in the case of cotton limitation was made compulsory, a heavy penal tax being imposed for exceeding the quota. Public expenditure on works of many kinds was planned, and considerable sums were allotted for the provision of work and relief for the unemployed.¹

British State action has been mainly of the indirect type; in the United States there has been a direct attack on unemployment in many directions

It is obviously impossible, in a book on Unemployment, to discuss at length the various indirect methods adopted. Some of them have already been touched on in Part II, where something has been said of the reorganization of industry and of tariff protection. Enough has been said to show how important a bearing currency and tariff policies—to name only two—have on employment. It must not be assumed that their importance is underestimated. But, since they are discussed in books on the special questions involved, attention is here devoted to the measures taken by the Governments with the direct object of combating unemployment

3. *Aspects of Preventive Measures*

These direct measures for the prevention of unemployment or for the mitigation of the evils arising out of it fall into four groups, which are discussed in turn.

(1) *Increasing the Demand.* Methods of increasing the demand for labour fall into two main groups:

- (a) The increase of the demand for labour by encouragement of private enterprise, by the development of new industries, and by the fostering of export trade, in other words, the encouragement of industry and trade.
- (b) The direct provision of work by the establishment of relief works or the encouragement of public authorities to carry out works of public utility or by land settlement (i.e. made work).

The former of these is of more enduring importance, but it belongs

¹ The defeat of the Administration in the Supreme Court on May 27, 1935, compelled a reconsideration of the National Industry Recovery Act, the life of which could not be prolonged without extensive modifications. At the time of writing (July, 1935) the controversy between Federal and State rights is still unresolved.

for the most part to general policy and hardly to the direct measures which it is proposed to discuss.

(2) *Reorganizing the Supply.* The reorganization of the labour market includes the redistribution of available work by arrangements for shorter hours, rotation of work, &c., the shortening of the working life by prolonging school life and giving earlier pensions. Both of these groups of measures aim at a reduction in the total supply of labour. A third aspect of the reorganization of the labour market is the better distribution of the available labour by vocational guidance for new entrants, by the improvement of employment-exchange services, including the special machinery of transfer; the dovetailing of seasonal trades; the better organization of casual labour.

(3) *Mitigating the Consequences of Unemployment.* Measures for mitigating the consequences of unemployment include the provision of unemployment insurance and of relief for those not covered by insurance schemes; the establishment of courses of instruction aiming at the definite 'reconditioning' of labour deteriorated by unemployment or of recreational facilities; the provision of labour camps, where these are directed mainly towards the maintenance of morale and where the work done is of subsidiary importance.

The different classes of measures for increasing the demand for labour, limiting or reorganizing the supply, or for improving the lot of the victims of unemployment are treated separately. But much of the efficacy of these 'remedies' depends on the balance between them. It is dangerous to assert in the case of any particular country that this or that measure has secured the degree of improvement recorded. The whole policy of the Government concerned needs to be taken into account, together with the relative international situation. It is frequently asserted that some special measure of currency manipulation, or development of commercial treaties, or shortening of hours, or public-works policy is the cause of improvement in one country or another. The treatment adopted, for convenience sake, and for the avoidance of undue repetition, in this book may provide colour to arguments of this kind. But in practice the unemployment problem has to be attacked from all angles, and a balance between the attacking forces is required. This consideration must be borne in mind in reading the pages which follow.

CHAPTER II

THE LIMITS OF STATE ACTION

THE influence exercised by the State on employment through Government policy on financial matters and through the political and economic relations maintained with other States is obviously of the greatest importance. Before considering the scope and implication of more direct action it is desirable to consider within what limits the State, where it is not, as in Russia, the principal employer of labour, can intervene by way of the direct provision of work.

The Areas of State and of Private Enterprise

The possibilities of enlarging the demand for labour by direct State action have certain limitations. State and municipal bodies are themselves considerable employers of labour, and the proportion of workers employed in this way tends to increase, as does the area of work carried out by public utility companies under some degree of public control. The exact calculation of that proportion is hardly possible, because census and labour returns are naturally grouped on the basis of the work done and not of the class of employer. There is a rough distinction between the kind of work provided by public authorities, semi-public companies, and private entrepreneurs. The grouping is not the same in all countries, but a rough classification will indicate to some extent the range of possible direct action. Some activities, such as housing, may be divided between the various classes of employers.

Classification. The main classes of employers and the kind of employment provided are:

<i>Employer</i>	<i>Direct employment</i>	<i>Financial basis</i>
A. Central government	Administration	Taxes
	Defence forces	"
	Posts and Telegraphs, &c.	Receipts
	Railways (in certain countries)	"
	<i>Direct and indirect employment</i>	
	Capital construction: naval and military armament, public buildings, main roads, &c.; and the manufacture of consumable goods required for military, naval, and administrative purposes	Taxes and loans

B. Local authorities (provincial and municipal)	<i>Direct employment</i>	
	Administration	Rates
	Health and education services	Rates (with in some cases grants from Central Govt)
	Water, sanitation, street cleaning, harbours, local roads, public utilities varying in range; in some cases electricity, gas, passenger transport, &c, and housing	Rates and receipts
	<i>Direct and indirect employment</i>	
	Capital construction: public buildings, local roads, equipment of public utility services, harbours	Loans, the interest and amortization of which is paid out of rates and receipts. The loans may be raised or derived from the Central Govt.
C. Public utility companies	<i>Direct employment</i>	Share capital
	Gas, electricity, transport, and other services	
	<i>Direct and indirect employment</i>	
	Capital equipment for the various undertakings and the building of houses and dwellings	Share capital
D. Private companies and employers	Agriculture. Extractive industries. Manufactures. Building and construction. Banking, insurance, commerce, wholesale and retail distribution	Private and share capital

Now D covers the major part of employment and the heaviest total risk.¹ It is affected by all departments of Government action, by monetary policy, by taxation, tariffs, trade agreements, and the conditions imposed on employment (factory inspection, social insurance, &c.), and by general political orientation. But *direct* Government action on the expansion of employment is necessarily small under the

¹ Sir William Beveridge (*Economica*, Feb. 1934, 'Aspects of the American Recovery Programme') says: 'The Government, through judicious expenditure out of loans, particularly though not exclusively in industries making capital goods, can expand purchasing power through government investment, when private investment is blocked.' 'But', he says, 'unless one aims at a completely Socialist programme, government investment cannot take the place of private investment.'

ordinary capitalist system, since the entrepreneurs who provide the finance of an agricultural, extractive, manufacturing, or commercial undertaking necessarily determine the volume of employment. Substantial improvement in employment over the main area of activity therefore depends on the recovery of confidence of private persons, which may be greatly aided by political and other acts of the State, but only to a very limited degree by direct State action.

Direct measures for the extension of employment provided by private enterprise are not confined to periods of crisis, but they are more likely to be demanded in bad times than in good times. They may be good or bad, and they are recorded here without prejudice.

Subsidies to Private Industry. The difficulty of a subsidy policy is that direct assistance to an industry or to a particular undertaking cannot be limited to an extension of employment. The very selection of a special undertaking for direct assistance generally means that certain employers or groups of employers are singled out for assistance at the expense of the general body of taxpayers. A fundamental limitation to State aid of private enterprise is the difficulty, the practical impossibility, of preventing the subsidization of private profit. Moreover, State aid by way of subsidy or loan is in request for those enterprises which cannot raise money in the ordinary way, and it is difficult, in the application of State aid, to avoid the bolstering up of undertakings which are economically unsound. Subsidies have been increasingly used, however, not because the objections are not realized by Governments, but in efforts to avert disaster from essential industries.

Subsidies for Additional Workers. Direct subsidies for the employment of additional workers were offered by the Von Papen Government in Germany, by the Emergency Order of September 4, 1932, providing for the issue of Tax Exemption Certificates. These were intended mainly to provide easily negotiable credits for small enterprises, but also for the benefit of employers who in any quarter of the calendar year had employed in their industry more workers than on an average of the summer months of 1932. Certificates were to be issued on the basis of 400 R.M. per annum, payable in quarterly instalments per extra man employed. This part of the scheme failed at that time, partly because of the strenuous resistance of the workers to a reduction of wage-rates to men employed in this way which was authorized by a subsequent decree. Premiums to employers for the engagement of additional workers in agriculture have been provided in the Union of South Africa; farmers were encouraged to employ white labourers by a grant of £50 per head made for suit-

able housing, the loan to be written off by one-fifth for every year the man is kept on. A further bonus was given towards wages¹ Under the National Socialist Government in Germany unemployed men are placed out with farmers on condition that the farmer provides board and lodgings, the man receiving pocket-money from the Insurance Fund; this amounts to a subsidy to the farmer of the value of the money-wages, but largely at the expense of the employed man himself. Early in 1935 the French Government offered a subsidy, under certain conditions, for engaging unemployed workers²

Subsidies to Industries. This form of subsidy per man employed is obviously impracticable on any scale and is therefore unimportant except as a symptom; it is a desperate emergency measure. Subsidies are more generally for distribution among the undertakings in a distressed industry, or to one which Government, for one reason or another, desires to encourage. The provision of additional employment is envisaged, but there can rarely be direct stipulations for the purpose. The subsidy may merely enable the industry to continue, perhaps even with a reduction of labour; in any case it enables it to avoid wholesale dismissals, *unless* rationalization requiring the closing down of inefficient works is involved.

Subsidies to shipbuilding began in many countries before the crisis and have contributed to employment in the country providing the subsidy at the expense of employment in other countries (see p. 152, above). Subsidies to shipping and shipbuilding have been extended during the depression. In Great Britain a subsidy to tramp shipping has been made conditional on the reorganization of the industry, and on an attempt to secure international agreement. Great Britain has subsidized the beet sugar industry and the cattle industry; the subsidy in the first case was for the creation of a new industry, in the second to prevent the collapse of an established industry. In the latter the subsidy policy was adopted in lieu of tariff protection. Subsidies, direct and indirect, to agriculture have been adopted in many countries on the grounds of the social importance of maintaining the rural population.³ In the United States the main line of agricultural policy has been the restriction of acreage with a view to forcing up the price of agricultural produce, though, on the other hand, the Tennessee Valley project opens up agricultural land. The

¹ Mr. A. P. J. Fourie in the House of Assembly, Jan. 30, 1934.

² For details see *Ministry of Labour Gazette* (Feb. 1935, London), p. 54.

³ Government expenditure on land settlement and on the provision of allotments during the depression adopted with the aims of the provision of permanent employment and the provision of occupation to mitigate the moral effects of unemployment, is discussed in Chapter V, below.

subsidies and loans made available under the Agricultural Adjustment Act and Emergency Farm Act (May 1933) are therefore directed not so much to the provision of new employment as to enabling existing producers to remain on the land. The Public Works Administration has authorized loans to railroads and to limited dividend housing projects, one of the largest of these being to the Pennsylvania Railroad for the electrification of the line from Washington to New York. The Federal Housing Association has been formed to stimulate private renovations and building by insuring private financial institutions against losses, for insurance on mortgages, &c.¹ The Federal Housing Association was formed rather for the promotion of private construction than for public works.

Direct subsidies towards the provision of housing by private entrepreneurs were available in Great Britain under various acts, but the greater part of the subsidies have been to local authorities. These have undoubtedly increased employment in the building trades, but they were made for social reasons, to remedy overcrowding and bad housing; the additional employment was desired, but was not the motive for the giving of the subsidy.

Difficulties of the Subsidy Policy. One way of evading the subsidizing of private interests is the setting up of industries on a public utility basis (limited interest on capital). This is an old and well-tried method. Its use has been suggested for the 'special' areas in Great Britain, and some experiments have already been made. In the setting up of industries under schemes of this kind the existence of possible development of a local or easily accessible market is important. Even so, there is some danger of creating new competition with existing undertakings elsewhere, and any extension of the system on a large scale would call for a national survey of industrial resources. There is much to be said for 'planning' on a national scale; purely regional planning may lead to new crises.

A rational consideration of the location of new industries when new capital is subscribed, on whatever basis, is desirable. The nucleus for an organization of this kind in Great Britain is available in the Bankers Industrial Development Company, which is a subsidiary of the Bank of England.²

¹ *National Public Works* (1935, Geneva). Mem. of U.S.A. Government, p. 116.

² See the recommendations on the possible development of the direction of investment in the *Report of the Macmillan Committee* (Cmd. 3897 of 1931, London, H.M.S.O.), p. 173, and the wider suggestions made by some members of the Committee on p. 207. For a further discussion of this important subject see Royal Institute of International Affairs, *The Future of Monetary Policy* (1935, Oxford University Press), pp. 104-9.

The difficulties of subsidizing private employment being what they are, the main form of direct Government assistance to industrial employment has been in the guaranteeing of loans for reconstruction in industry or for special industrial objects or for export risks. In Great Britain Government guarantees for loans raised for these purposes may be obtained under the Trade Facilities and Export Credits Acts. Government aid for the building of the Clyde Cunarder, the *Queen Mary*, was given with the direct aim of providing employment.

Export Guarantees. The extension of Government guarantees to exporters has assisted the maintenance of employment in certain trades. An example in recent years has been the provision of guarantees in Germany, England, Italy, and the United States for part of the necessary credits for the export of capital goods to the U.S.S.R. Exports financed on this basis have been of some importance to South American countries and eastern Europe. There is little available information for the scope of arrangements of this kind, and their effects on employment can only be inferred. There was a considerable increase in 1933 of the guarantees provided under the British Export Credits Scheme.¹ Among important contracts guaranteed in that year were:

Electrification of Warsaw Suburban Railways . . .	£1,500,000
Air brakes for Polish State Railways (not yet confirmed) . .	£4,500,000
Electrification of Brazil Central Railway . . .	£1,500,000

All of these contracts, it may be noted, are in connexion with public works in the importing countries.

A decree of March 18, 1932, authorized the Swiss Federal Council to grant subsidies to undertakings for the completion of specified export orders in cases where the orders could not otherwise be undertaken, and where the undertakings would otherwise have to close down, or dismiss a large number of workers. There are various conditions attached to the subsidy, which may be in the form of a loan or a grant subject to an annuity. The money allotted must in no case exceed the amount which the Federal Government would probably have to pay for the relief of unemployment, if the orders were not undertaken. The sum allotted to implement the decree was 2½ million francs.²

In Germany a 'voluntary' levy on industry and on the wholesale trades is expected to yield in 1935-6 a total of RM. 700,000,000 for subsidizing exports.

¹ See *The Times*, May 31, 1934.

² *Ministry of Labour Gazette*, Apr. 1932, p. 131.

Subsidies to Private Industry. A most extensive scheme of Government credit to private industry has been set up in Germany; it has been accompanied by strong Government pressure on firms not to dismiss work-people. The justification for these measures is found in the shortage of capital in Germany. In countries where capital is available but unused it is arguable that artificial State stimulus encourages non-economic production; where capital is short the conditions are different. The various German unemployment programmes, beginning with the Von Papen schemes, provided for the extension of credits to industry, but they were mainly directed towards employment by local authorities and public undertakings, and it is impossible to discover what proportions of them have been secured by private industry. They are therefore discussed under the head of Public Works.

Government Contracts It is evident that direct Government action in regard to the main industrial and commercial groups is extremely limited, with one important exception. the allocation of Government contracts for material used in equipment, more especially for the defence forces, and for supplies of other kinds of a very varied nature. The armaments industries are directly dependent on Government orders; they form in themselves a considerable section of the heavy engineering trades, and are responsible for a considerable demand for raw materials. The revival of employment in heavy industry in western Europe in 1934-5 was undoubtedly assisted by the increasing demand for armaments.

Other direct Government demands on industry for the maintenance of public buildings and for the supplies required for the civil departments are considerable, but still of less magnitude. Where railways (and in some cases mines and main roads) are State property the area of the State demands on industry is, of course, much increased. Expenditure of this nature, together with that on communications, is, for convenience, put under the head of Public Works.

CHAPTER III

EXPANSIONIST PUBLIC WORKS POLICIES

THE main area of demand for labour which may be stimulated by direct Government action is in capital construction, undertaken by, or on behalf of, the Central Government, or by local authorities with the assistance of loans made or guaranteed by the Government. Governments and municipalities often maintain small staffs of manual labour for industrial purposes in Government dockyards and arsenals for building repairs and current work, but the larger part of this work is given out to contractors. A close analysis of the estimates of individual departments and of municipalities would be necessary to discover the industrial employment directly provided. But by far the most important section in building and construction and durable goods generally is the work done under contract. Demand for food, clothing, stationery, and other consumable goods is considerable and fairly constant, and does not offer much opportunity for expansion, though some retiming is possible. The possibilities of expansion at any given time are mainly in building and construction, generally grouped as 'public works'. Large sums are spent at all times by public authorities in this way, creating a direct demand for labour on the actual contract and an indirect demand in the industries supplying raw and semi-finished material. Ambitious public works programmes have been adopted in some countries as a 'cure for unemployment'.

Before considering the major aspects of the extension of public works in times of depression some smaller readjustments may be considered.

1. *Timing of Public Works*

Seasonal. The first proposal to be considered does not involve additional expenditure and is a matter of re-timing. It is the planning of certain necessary State and municipal contracts so as to provide work in slack seasons of the year, for the building trade in winter, for the clothing trades in summer, and so on.¹

As early as the year 1904 the Prussian Minister of Commerce made practical suggestions to the German Government with a view to relieving unemployment by regulating the date of the delivery of contracts. He advocated that all employers, public or private, should

¹ For the incidence of unemployment at different times of the year in different trades see various writers; editors Webb (Sidney) and Freeman (Arnold), *Seasonal Trades* (1912, London).

place their contracts at periods when unemployment was likely to be acute, with a view to securing a more even distribution of work throughout the year. Those jobs on which all classes of workers, including the unskilled, could be employed should be, if possible, held over until the winter months¹

In any extensive programme of public housing some work can be carried out in the winter. Public authorities can also advance internal painting and decoration in the winter months when private demand is at a minimum. The National Socialist Government in Germany have sought to reduce seasonal unemployment by loans for carrying out in winter the division of large houses into flats and internal repairs on public buildings.)

In Great Britain the placing of municipal and Government orders for goods which are not subjected to the same change in fashion as other goods in slack seasons of the year has repeatedly been urged. How multifarious these demands are and how many trades are affected will be realized in looking through any list of municipal undertakings from tramways to schools, hospitals, and workhouses, and considering the necessary equipment.

Re-timing (other than Seasonal). The execution of public contracts and of public works, which would be carried out in any case at some time, at periods when employment is low, means the transfer of demand for the labour involved to bad times from good times; it requires a planning of works likely to be required over a considerable period on the basis of intensified activity during depression and relaxed activity when private enterprise is active. Apart from the employment question, this method has the advantage that the public authority does not enter the money market for loans at a time when industry is rapidly absorbing capital, and can borrow at better rates. In a depression idle money and idle men would be employed when private enterprise could not employ them. The non-use of money and labour constitute a dead loss. Now (the natural tendency for public authorities, as for private entrepreneurs, is to economize in bad times and not to advance expenditure. But the opportunities of public authorities for borrowing and spending are in fact less restricted than those of private employers in bad times, since the public authority is not catering for an export market or for the home market in consumption goods, and they are able to choose their time for spending as the private employer is not.

¹ For further information see Huffer (Dr. Adam), *Memorandum on the German Government's Emergency Policy*, a paper read before the State and Economic Life Conference at Chatham House, 1933.

The Minority Report of the British Royal Commission on the Poor Law suggested the anticipation of necessary public work in periods of depression. The signatories attributed the fact that the cyclical depressions in recent years had been less severely felt in the United Kingdom than those of 1878-9 and of 1899-1902 to the undertaking by local authorities in Great Britain of ordinary municipal work of a capital nature to a greater extent in slack years than in good years. They calculated that out of the very large sums annually expended by national and local authorities on works and services, it would be possible to earmark £4 millions a year, to be expended on works to be undertaken at unequal annual rates to the extent of even 10 or 15 millions in a single year at those periods when registered unemployment rose above 4 per cent. The Development and Road Fund Act of 1909 embodied a provision that grants to local authorities should be distributed 'bearing in mind the general state and prospects of employment'.

A German official report published on April 23, 1928, proposed that all Government departments and, as far as possible, all municipalities, the Railway Administration, and other public bodies should give notice with full details to the Reichswirtschafts-Ministerium (or other central office) of any large contract they proposed to put out; that the expedience of advancing contracts to obtain a more even level of employment should be considered, and that all official and public bodies should work in the direction of long-date contracts and extended delivery to permit of the fitting in of private contracts.

Limitations of 'Timing'. There are limitations to this policy of re-timing. If the defence departments, for instance, were to advance their orders in bad times (this was actually done by the United States in 1933 in ordering war vessels), they might find themselves landed with obsolete types of ships, guns, and material generally, and thus waste the public money. Depreciation of stocks and the risk of ordering to specifications which may date rapidly in all departments must be taken into account. These qualifications apply on the whole with less force to building, but errors of judgement in this direction lead to waste on a scale larger because of the longer 'expectation of life' of schools and public offices than of ships and guns.

Neither of these proposed readjustments involve additional spending by Governments or other public bodies; they are directed merely to the provision of employment on Government work at seasons and periods when private employment is slack. The reason why intensive work on contracts which would in any case have to be carried out sometime has not been more generally adopted during recent periods

of heavy unemployment is not that the public authorities are unaware of these considerations. It is that the depression hit public revenues as well as individual incomes, and the pressure on Governments and local authorities to economize overrode other considerations. Large public works are financed by loan, and the reluctance to undertake new liabilities was comprehensible; in some countries where there had been heavy borrowing before the depression fresh loans were unobtainable.

2. *Public Works Expenditure on the Larger Scale*

Creation of Credit. The rearrangement of expenditure on public work suggested above is only a minor part of the policy known as a public works policy, which has been adopted on a large scale in the United States, and on a lesser scale in many other countries, with a view to combating unemployment. These programmes provide for the creation of credit for heavy expenditure on the execution of works which might be indefinitely deferred or even not undertaken at all; they are directed generally to the improvement of communications by road, rail, and water, irrigation and land reclamation works, land settlement and urban housing, the provision of water, electricity, and other public utility services. The schemes are advocated for the promotion of employment and the reabsorption of the unemployed on the building and construction works concerned and in the supply trades—iron and steel, mechanical engineering, building, electrical, wood, furnishing, and auxiliary trades, and others. But they have a much wider object. They aim at creating activity throughout the economic machine by the utilization of idle moneys and the expansion of credit. The policy is an expansionist and inflationary one. Loan expenditure by Governments and by local authorities, with the backing of Government credit, is to create general activity and to inspire private investors with new confidence. Moreover, public works create activity in just those producers' goods industries which suffer most in a general depression; their inception at a suitable stage in the business cycle should revive those industries and prevent the severity of the movement.

International Proposals. The still wider proposals made by Mr. Keynes for the increase of loan expenditure throughout the world by combined international action to meet the shortage of foreign lending were reflected in the resolution put by Sir Atul Chatterjee on behalf of the International Labour Office before the World Monetary and Economic Conference of 1933. It proposed that:

- (1) Governments should finance schemes of national equipment and development.

- (2) Capital should be circulated between creditor countries and countries lacking capital in order that the latter might be enabled to undertake works likely to augment the national income and thereby increase their capacity to meet external debts. Attention had frequently been drawn to the under-developed state of many countries in Europe, South America, and Asia, which possessed great potential resources. Any assistance given them to promote their economic expansion was bound to be of general interest to the world.
- (3) All measures of national development, whether financed nationally or financed abroad, should be co-ordinated on an international basis

The full resolution submitted to the Conference proposed to set on foot immediately large-scale public work giving an assured economic yield, especially in those countries where funds at present were remaining unused.¹

Conditions for a Public Works Policy. On the general merits of an expansionist Government policy in a depression there is much to be said on either side; and it is not possible here to enter into the general controversy.² But it may be pointed out that the desirability of a public works policy on an extended scale, going beyond immediate requirements, depends very much on the general economic conditions of the country in which they are executed: the degree of development and the consequent urgency of the work to be done; the state of the national finances and the nature of the credit structure, the terms on which the credits can be secured, and other considerations. Further, the programme takes some time to develop, even after the plans are complete, as the Roosevelt administration discovered. The plans themselves require consideration and inquiry, since improvisation leads to costly blunders. Experience in various countries of the

¹ The question had been already discussed earlier at International Labour Conferences, by the Commission of Inquiry into European Union, by the Council of the League of Nations, and a Committee of the Communications and Transit Section of the League. In pursuance of the decision of the World Monetary and Economic Conference the League of Nations took steps to conduct an inquiry into what has been done in different countries. In Mar. 1934 the Secretary-General addressed a circular letter to various Governments asking for details of public works undertaken since 1929 and of proposals to be undertaken with details of methods of finance, the provenance of supplies, &c., and of the effect on unemployment expected to be secured. The information collected by the Communications and Transit Section was published in Feb. 1934—*National Public Works* (1934, Geneva). See also International Labour Office Report on *Unemployment and Public Works*, Studies and Reports, Series C, No. 15 (1931, Geneva), and *Public Works Policy*, Studies and Reports, Series C, No. 19 (1934, Geneva).

² For a brief general statement see *Monetary Policy and the Depression: A report of a Study Group of the Royal Institute of International Affairs* (1933, Oxford University Press), pp. 64 and 67.

improvisation of public works schemes undertaken partly to increase investment and partly to provide employment show that good practical schemes of real national advantage require time for consideration and a reasonable time before the organization can be set going. Those members¹ of the Macmillan Committee on Finance and Industry who advocated a considered expansionist policy in home investment in Great Britain on these lines stressed this point and advocated a long-range policy planned in advance for rebuilding and replanning in towns (a proposal since adopted to some extent in the housing proposals of 1935), the re-equipment of staple industries, and the electrification of railways.² Mr. R. H. Brand, who did not think greatly increased expenditure by Government or other public authorities was a solution of British difficulties, pointed out that even a desirable scheme such as railway electrification, which might lead directly and indirectly to reduction of costs and would improve our national plant, would require some one or two years of preparation.

Good schemes cannot be improvised. Apart from a plan laid down in advance, which is ready to be taken in hand or accelerated at the proper moment, there is the danger that the emergency may be over by the time that work can be started, and there may be a national demand for the investment elsewhere. The successful use of public works for the reduction of unemployment in bad times seems to hinge on preparation before the crisis arises.

Works of amenity are not excluded, but in general the aim is to concentrate on works which will increase the national wealth, and where natural resources are limited, as in Italy, to increase the possibilities of production, and on works which promote the maximum of activity in subsidiary industries.

Employment. From the point of view of immediate increase of employment—though direct employment may not be the dominant consideration—there are certain desiderata, not necessarily contradictory, but not necessarily coexisting:

- (1) that the works selected should supply the maximum of direct employment;
- (2) that they should make the maximum demand for employment in industries providing the raw materials and the finished or semi-finished manufactured goods;
- (3) that they should be such as to absorb the kind of labour which is unemployed.

¹ Sir T. Allen, Mr. E. Bevin, Mr. J. M. Keynes, Mr. R. McKenna, Mr. J. Frater Taylor, and Mr. A. A. G. Tulloch.

² A large scheme of railway electrification was announced in June 1935.

Some consideration is given to the first and third of these considerations in later pages under the head of work relief. The second condition is probably most completely fulfilled in housing and public building projects, the erection of post offices, schools, and other public buildings. Building itself covers a large number of skilled occupations, and it makes large demands for structural steel, cement, bricks, domestic engineering of an increasingly complex character, wooden fittings, paper, colour and varnish industries, and, in the case of houses, eventually for the whole range of furnishing trades.

Advantages and Disadvantages of the Policy. There is great difficulty in drawing general conclusions from schemes which have been begun during the depression, because the burden of the charges on the loans raised has still to be liquidated in future budgets. 'The real issue', writes Mr. H. B. Butler,¹ 'is whether through large scale public expenditure financed by borrowing it is possible to get additional purchasing power into circulation and so help to sustain the volume of demand, provided that the public finances are sufficiently sound to admit of such an operation without endangering the stability of the currency or national credit.' The danger is that the burden laid on the Exchequers of the countries concerned may itself hinder the development of private industry on which the main body of employment depends. The Swedish scheme makes some provision against this contingency. But it cannot be too strongly emphasized that any public works policy which distracts attention from the necessity of rehabilitating private industry is dangerous under the present organization of society.²

As a stimulus to ordinary enterprise by setting in motion the capital goods production industries there is much to be said for undertaking public works at the right time, especially when there is reason to think that the difficulties causing depression are not of a permanent nature. Professor Pigou (*The Theory of Unemployment*, p. 250), who takes care to insist on the disadvantages of artificial stimulants of all

¹ International Labour Office, *Report of the Director* (1935, Geneva), p. 43.

² In his book on *Post-War Unemployment* Mr. Henry Clay stressed the danger of the diversion of funds better used in the re-equipment of industry. Most of the objects of expenditure usually contemplated, though socially desirable, would not remove any serious elements in the costs of industry. Capital might be applied in ways that would effectively reduce costs; but not under public authorities. Most of the older industries would benefit by re-equipment on a large scale, which they cannot afford out of any resources they can command on their own credit; they are handicapped in competition with continental producers whose industries have been re-equipped, but such capital expenditure is not the proposal.

kinds, which tend to become ineffective unless the doses are increased, writes:

'Our conclusion, that the long-run effect of expansionist State policies—and under this head must be included not only the undertaking of a large-scale public works, but bounties, guarantees of interest and, if successful in their purpose, protective duties—does not touch employment, affords, of course, no argument against the States *temporarily* adopting these devices as "remedies" for unemployment in times of exceptional depression. For here it is not their long-run, but their short-run, consequences that are significant. Nor need we mean here by "exceptional depression" merely the lower extremity of a normal trade cycle. Thus, though the heavy unemployment that prevailed in this country for the decade following the post-Armistice boom—the intractable million—was not associated with a cyclical depression in the narrow sense, there was, nevertheless, some reason to believe that it was a short-period malady, needing treatment only for a few difficult years. The situation was such that improvements in industrial technique and capital equipment might well have made the normal real demand for British labour expand at more than the usual rate, while, at the same time owing to the low birth-rate of the pre-war, and, still more, of the war, years, the number of the wage-earning population of working age was expanding at much less than the usual rate. This double change must clearly in the near future have made the absorption of the whole body of potential workers at a given wage-rate—real rate and money rate alike—much easier than it would otherwise have been. Thus a temporary campaign maintained for a few years—apart from the great slump that began in 1930—might have proved successful.'

3. *Expenditure on Public Works in Various Countries*

Expenditure on public works during the depression in certain countries is tabulated on p. 243 of the *World Economic Survey for 1933-4* (1934, Geneva). The table shows the natural tendency of Governments under financial pressure to decrease rather than to increase their commitments during the crisis, though the tendency was in some cases reversed in later years.

Detailed accounts of expenditure on public works in various countries are shown in *National Public Works*, the information collected by the League of Nations.

Sweden. The reversal of the tendency towards cutting down public expenditure during the depression was especially noteworthy in Sweden, where capital expenditure was increased in 1933-4 and 1934-5 with the express intention of combating crisis conditions. In the financial year 1933-4 the budget allocation for public works was doubled. The Prime Minister stated that the main preoccupation of the Government was to find an effective way for dealing with unemployment, and that they were seeking

it in the stimulating of private enterprise which an increase in Government spending might be expected to give. Further extension of this policy continued in 1934-5. In January of that year the Prime Minister stated that Government policy was to bring money into circulation, and by increasing the purchasing power of the people to effect a moderate rise in the level of prices. In January 1935, however, the policy was discontinued, the financing of public works by loans ceased, having served its purpose. Borrowing henceforward was only to be resorted to for productive purposes, there was still money in hand for continuing the projects laid down until the end of 1936. An interesting feature of the Swedish experiment was that the expenditure on public works was partly financed out of loans raised for the purpose and repayable in four years, but partly out of the proceeds of heavy new increments to the death duties. Death duties are a share of private capital taken by the State, and the principle that they should be used in improving the national capital and not as current revenue has been advocated, but Sweden applied the principle in practice.¹

The Final Report of the Swedish Unemployment Inquiry² gives a reasoned examination of the principles governing Swedish public works policy, it gives close attention to the financial technique of a public works policy, and suggests methods of accounting which would make clear any changes in the financial position due to a public works policy.

Great Britain. The British Government have at various times expressed themselves as sceptical of the value of a public works programme as a means of combating depression, except as regards the suitable timing of public works which would in any case be executed at some time.³ But in fact capital expenditure by the State and local authorities on works of utility executed for their own sake is very considerable (it was £146·8

¹ The figures for capital expenditure as a whole and for the Fund for public works in relief of unemployment (included in total capital expenditure) are given below. For a discussion of Swedish budget policy see two articles by Prof. B. Ohlin in *International Labour Review*, April, May, 1935, where other items in total capital expenditure are explained.

TABLE LXXXII
Capital Expenditure in Sweden (millions of kronor)

	1932-3	1933-4	1934-5	1935-6
Total capital expenditure . . .	123·5	289	336	198
Fund for Advances to Treasury (for Public Works in Relief of Unemployment) . . .	14·1	150	196	..

² Summarized in the *International Labour Review*, July 1935.

³ This principle, recommended in the Report of the Royal Commission on the Poor Law, was definitely laid down in the Development Act (1909).

millions in 1930-1 and £108.8 millions in 1931-2)¹ From 1931 onwards capital expenditure by local authorities was discouraged on the ground of economy. In their reply to the League of Nations inquiry the British Government state that total capital expenditure on subsidized housing since 1919 is well over £700 millions, and that about £130 millions has been spent in the same period on road schemes, £120 millions on telephone development, and £190 millions on various other schemes, in addition to smaller sums spent by statutory companies with State aid on development and by public authorities of various kinds² The demand for the reversal of the economy policy adopted in 1931 and for a definite expansionist policy of public works put forward by influential spokesmen had some effect on Government policy. Some capital expenditure, though not very great in amount, was contemplated for the 'special areas' in 1935, but the main expansion is to be found in the assistance guaranteed to local authorities for an intensive campaign of slum clearance and rehousing,³ in a five-year plan for the improvement (rather than an extension) of road communication to make the roads, bridges, &c., suitable for modern requirements; and in the electrification of certain sections of the railways. These works can be speeded up at suitable times.

United States The United States has adopted an expansionist policy of public works on a larger scale than any other country, and the experiment is being watched there and elsewhere with close attention. In one sense the experiment does not provide all the conditions necessary to allow of generalization for or against an expansionist policy from its results, for it was undertaken—on its present scale—when unemployment had already reached colossal dimensions. It is one thing to inject activity into a machine which is beginning to slow down; it is quite another thing to re-accelerate an engine which has reached dead slow.

It is true that before President Roosevelt took office in March 1933 large public works had been arranged by President Hoover, and that the creation of 'self-liquidating' public works had been an important function of the Reconstruction Finance Corporation established in February 1932. But the present huge schemes are the work of the Roosevelt administration, which made provision of work for the American unemployed in the Relief Acts of March 31 and May 12, 1933, the National Industrial Recovery Act (June 16, 1933),⁴ and the Tennessee Valley Authority Act (May 8, 1933), and other legislation. Expenditure on public works developed rapidly, though less rapidly than had been hoped because of the necessary delays in preparing and approving plans, after the passage

¹ For the items see *Monetary Policy and the Depression*, a report by a Study Group of Royal Members of the Institute of International Affairs, 1933, p. 92; also *Statistical Abstract of the United Kingdom*.

² Capital expenditure aided by guarantees merely are not included in these sums.

³ A brief note on British housing legislation is given in Appendix XV.

⁴ The text is printed in *National Recovery Measures in the United States*. International Labour Office (1933, Geneva).

of the National Industrial Recovery Act.¹ The amount of immediate employment was at first disappointingly small—270,756 men in December 1933—in view of the huge expenditure entailed, but the process of application of the loans led to continued increases as the schemes got under way, and the number directly employed on public works in June 1934 was already 583,000. About one-fourth of the money spent on construction projects was in wages, the rest on materials. The indirect employment involved in the supply, manufacture, and transport of materials may be put at an equal figure. Men have been put to work more promptly through allotments for roads and rail-roads than for other schemes because the plans were already in existence. The decline in net unemployment (shown in the figures given on p. 84 of this book) cannot be ascribed to any one part of the whole Recovery programme. The Memorandum supplied by the United States Government to the League of Nations² insists that re-employment is only part of the aim of the public works policy, which is also directed to 'the re-invigoration of our economic life and an intensified business activity, and to the desire to use Federal funds for planning and co-ordinating the development and conservation of the resources of the country'.

Germany The public works policy pursued in Germany during the depression has been very extensive. It presents peculiar interest because of the extremely complicated methods by which it has been financed.³

In the three years 1929–30 to 1931–2 expenditure by the Reich and States and by municipal authorities was already considerable, large sums being spent, though there was a decline in 1931–2 on housing, communications, agricultural settlement, and other developments. Successive Governments then pushed on programmes of public work financed by loan to combat the depression. The first of these schemes, known as the Von Papen programme (Laws of June 14 and September 4), provided large loans for the provision of work by local authorities and private employers, creating credits for the purpose in the form of tax remission certificates (*Steuerergutscheine*) to be liquidated in five years. At the same time large work programmes were developed by the post office and the railways. Dr. Gereke was appointed Reich Commissioner for Unemployment in

¹ The details of plans approved and expenditure will be found in the Memorandum of the United States Government in *National Public Works* (1934, Geneva). Full details of these and other recovery measures are now available in International Labour Office, *Social and Economic Reconstruction in the United States*, Studies and Reports, Series B, No. 20 (1934, Geneva).

² Printed in *National Public Works*, already cited.

³ See Hüffer (Dr. Adam), 'Memorandum on Emergency Policy', already cited; *Times Annual Commercial Review*, Feb. 7, 1933; special number (No. 10) Apr. 1934, of the *Frankfurter Zeitung* on the provision of work, *Industrial and Labour Information*, June 26, 1933, Sept. 4, 1933, and Sept. 11, 1933; Brinley Thomas, 'Germany', in *Unbalanced Budgets*, Hugh Dalton and others, 1934; also Dr. M. R. Carroll in Supplement to *American Economic Review*, Mar. 1930, p. 21; *Weekly Report* of the Institut für Konjunkturforschung, Berlin, Mar. 16, 1934.

December 1932, and launched what was known as the *Sofort* (Immediate) Programme, providing work loans on extremely liberal terms, partly on the security of the *Steuergutscheine*, for local authorities and private undertakings offering new work. The National Socialist Government continued the policy of financing work, but on an even larger scale. The Reinhardt programme, promulgated by a law of June 1, 1933, provided further credits. Additional credits for the building industry were provided in September 1933. The total new credits provided under these schemes are estimated in the German press at some 5 milliard R.M., of which over 3 milliards are by way of bills. This plainly places a great strain on the financial machine, and the load of taxation to meet the charges began to be felt in 1934-5.¹ On the other hand, it was claimed that the economy on insurance and relief payments—reduced in 1934-5 to about one-half of the 1933-4 charges—made good part of these charges. It has already been explained in Part I of this book how difficult it is to say exactly what the net effect of these great efforts on employment has been, because of the changes made in the basis of unemployment statistics, it is more difficult to estimate the soundness of the extremely ingenious and complicated finance of the successive programmes and their ultimate effect on the economic structure. Moreover, the expenditure on rearmament has obviously a large effect on employment.

Italy. A great part of the public works executed under the Fascist régime was undertaken before the present crisis in unemployment with the object of developing internal resources and transforming the more backward districts of the country. Nevertheless, the speeding up of public works has been used in the last three or four years to help to mitigate unemployment. An important feature in the Italian system is that the reserves of the Social Insurance Fund are to some extent available for the provision of public works to absorb the unemployed.

In the first ten years of the Fascist régime, payments for public works reached a total of over 17 milliard lire.²

This total figure covers road and rail communications, various kinds of hydraulic work, hydro-electric development, river and canal transport, land reclamation and improvement, public buildings, schools, water-supplies, and reconstruction of devastated areas, &c

The average number of workers employed daily on public works ranged from 81,400 in 1926 to 157,000 in 1932. Labour accounted for over half

¹ For those interested in the financial side of these programmes a recent analysis of expenditure is given in Appendix XIV.

	<i>Lire</i>
² Under-secretariat for land reclamation and improvement	657,190,004
Road improvements	1,798,174,859
Ministry of public works	15,057,678,815

The Report of the Minister of Public Works in 1934 puts the total at 24½ milliard lire, and the total obligations entered into at 37 milliard lire. (International Labour Office: *Industrial and Labour Information*, Mar. 26, 1934, p. 440.)

the costs in drainage works and 44 per cent. on new roads, on railways about 10 per cent. The total expenditure in the budget in the financial year of 1930-1 on public works and on the construction of railways was 2.2 milliard lire, equivalent to 10.5 per cent. of the total expenditure¹ A large amount of work has been undertaken for providing necessities of urban life, especially in the provision of water and drainage, and the building of schools, which are still inadequate for the growing population A great deal of the building of schools and dwellings has also been provided by the communes themselves with assistance from the State The provision of water has been of the greatest importance in many districts, notably in Sardinia, where development has been impeded by the lack of water.

Perhaps the most spectacular of the public works undertaken is that of bringing into cultivation large areas of marsh land and of mountain land which has either not been cultivated at all, or has been cultivated on an inadequate basis. A large part of the work is 'protective', directed to ensure the continued productivity of the soil, but on 2½ million hectares the work is really reclamation in the sense that unproductive or low-productive land is being transformed for intensive cultivation.²

The method of financing public works in Italy is different from that employed in Germany. But the two systems have this in common—that they pledge the future revenues of the State to a greater or less extent. Under the 'consolidation of expenditure' renewed and extended in 1934 an expenditure of 15 milliard lire on public works was authorized over a period of twelve years, between the financial years 1924-5 and 1935-6, under the Ministry of Public Works. The various works to be carried out are let out in concession, usually to public associations rather than private contractors. The financing of the work is in some cases by direct State payments charged on the annual Budget. This method is gaining ground, but 'bonifica' continues to depend on deferred payments.³ The electrification of the railways is being paid for out of general, not railway, revenue,

¹ In addition, part of the interest on public debt would have to be added to show the total expenditure on the roads and railways, on harbour works, on waterways (rivers and canals).

² *The Times Annual Financial and Commercial Review*, Feb. 7, 1933: 'Most interesting was the work of converting millions of acres of malarious marsh into farm lands. Two hundred and fifteen land drainage associations are now engaged in reclaiming 6,665,000 acres, 88 associations of landowners are improving 585,000 acres, 74 associations are putting 3,500,000 acres of farm land to more profitable forms of cultivation, 550 irrigation associations are at work bringing water to the land, 9 others are engaged in the regulation of mountain streams and torrents, re-afforestation, masonry, and other works for preventing landslips and the denudation of the mountain sides. In fact, this laborious task of consolidating mountain lands is the keystone of integral land reclamation, for it is in the mountain areas that the cause of floods and swamps has to be sought out and eliminated. Great canals draining the Pontine Marshes and the newly built village of Littoria, in the centre of what until now has been a fever-breeding waste, were inaugurated recently by Signor Mussolini.'

³ Hughes (T. J.) in Dalton, Hugh, and others, *Unbalanced Budgets* (1934, London), p. 250.

though new roads are paid for by the tax on motor vehicles. Local authorities may have to contribute to work carried out within their areas. But for certain kinds of work the State assistance is in the form of terminable annuities, including both capital and interest, spread over a period of from twenty to thirty years. The concessionaire company has recourse for money to special State credit institutions, which are able to make loans on a long-term basis without risk, since they have the guarantee of the State annuities. These institutions are in practice the channel through which State aid is given.

An important element in the provision of funds for these schemes must be noted—the use of savings banks and insurance funds.

The financing of Public Works from popular savings is an important element in the system. These savings are directed through the Post Office Savings Banks to swell the assets of such institutions as the Cassa Depositi e Prestiti, and the Social Insurance and the National Life Insurance Funds, and are thus utilised in the national development policy. This is effected mainly through the undertaking of Public Works subsidised by the State through the method of deferred payments, the method of financing in this case being generally the issue of long-term bonds in which those Institutes mentioned above invest their surplus funds. It is stated that these interest-bearing bonds are held by them and do not come on to the market, and it is claimed, though the claim seems of somewhat doubtful validity, that this fact prevents the occurrence of any “hidden inflation.”¹

The burden of these costs of public works is a very heavy one, especially on a country in which the ratio of national debts to national income is high, its service absorbing some 25 per cent of national expenditure. The deficit on the budget for 1931–2 amounted to about 4 milliard lire, and in 1933–4 the adverse balance was nearly 6½ milliards.²

France. France has only recently been converted to a public works policy on any large scale, and even as late as in 1934 the French Government reported to Geneva that ‘important public works can only be regarded as a palliative—and a temporary palliative—to unemployment’.³ But the Marquet plan⁴ devised in that year and put into operation in 1935 proposes the expenditure of 10 milliard francs over a period of five years on works designed to relieve unemployment. The preamble to the scheme states that ‘the reduction of budget expenditure . . . is in danger of restricting national economic activity’, and that ‘this restriction can only be neutralised by the execution of a big scheme of public works’. The money

¹ Hughes (T. J.), in Dalton, Hugh, and others, *Unbalanced Budgets* (1934, London), p. 250.

² See Royal Institute of International Affairs, *The Economic and Financial Position of Italy*, 1935.

³ League of Nations, *National Public Works* (1934, Geneva).

⁴ International Labour Office, *Industrial and Labour Information*, May 28, 1934.

is to be found largely by drawing on the reserves of the Social Insurance Funds. As in Italy the funds of the Social Insurance system are to be drawn upon in order to finance the scheme, but on a rather different basis. The investment of the funds is to be diverted.¹

An important development is the proposed completion of the housing scheme arranged for by the 'Loucheur' Act of 1928, progress on which was held up by the suspension of credits in 1933, an Act dated July 26, 1934, extends the provisions of the original Act for another year.²

Other European Countries. In Poland, since 1926, development of public works in the improvement of land and of communications has been undertaken under the control of the Ministry of Labour and Social Affairs. In a speech in the Polish Senate on February 27, 1935, the Prime Minister announced the issue of an internal loan of 150 million zloty for financing public works on roads and watercourses with a view to improving national resources and diminishing unemployment.³ In Czechoslovakia, Denmark, and Austria public works are linked with Unemployment Insurance schemes. In Denmark a law was passed in 1930 embracing a five-year scheme of road construction, involving an expenditure rising every year from the equivalent of 1.3 million dollars in 1930 to 2.7 millions in 1935. In Czechoslovakia a loan of 1,300 million crowns was raised internally to finance certain public works, namely, building, roads, railway construction, &c. In Belgium a loan of 1½ milliard francs was raised chiefly for the execution of public works in 1931. In the Netherlands a very important reclamation work on the Zuyder See is in progress.⁴

British Dominions. Public works policies form an important part of Government policy in all the British Dominions at all times, since they are countries in which there is still room for development of communications, the bringing into cultivation of new lands, for river control and irrigation, &c. In Canada and Australia, with their Federal Constitutions, development is partly in the hands of the Central Government and partly in the hands of individual States. The necessary development in all four Great Dominions requires expenditure out of loan. From the point of

¹ The Marquet plan proposed that certain social insurance funds should lend for the purpose, between June 1, 1934, and Dec. 31, 1940, some 75 per cent. of their available funds, at present otherwise invested. A Decree of May 15, 1934, provides for the establishment of a common fund, controlled by the Deposit and Loans Fund, out of which the loans shall be made to bodies carrying out the public works proposed by the National Committee. Government direct contributions are fixed at rather less than 3 milliards of the 10 milliard francs required. For details see *Industrial and Labour Information*, May 28, July 9, July 30, Oct. 29, 1934, and March 4, 1935.

² For an account of the housing scheme see United Kingdom: Department of Overseas Trade. Cahull (Sir R.), *Economic Conditions in France* (1934, London, H.M.S.O.), p. 79 et seq.

³ See *Industrial and Labour Information*, March 12, 1934, pp. 366-7, and Apr. 1, 1935, p. 30, for projects of 1934 and 1935.

⁴ See 'Nine Other European Countries'—General Survey by J. N. Needman in Dalton (Hugh) and others, *Unbalanced Budgets*, cited above.

view of public works—apart from the relief works mentioned in the last chapter—the point of interest is the restriction, with rare exceptions, of public works during the depression years.

Loan expenditure by the Commonwealth and by the States on public works in Australia fell heavily in 1930 and subsequent years. The total expenditure out of loan and revenue for public works and the relief of unemployment was still very considerable. In the House of Representatives on November 21, 1933, Mr. Lyons said it was possible to find large sums for public works but he considered that heavy borrowing for these purposes had contributed to the severity of the crisis.

In Canada, also, the Dominion Government depended largely on the expansion of public works for the reabsorption of the unemployed, and large disbursements were made to provincial Governments partly for work

TABLE LXXXIII

Amount of Expenditure from Loans for Public Works

(In £ millions)

<i>Countries</i>	1924	1925	1926	1927	1928
Canada (a) (b) (c) (d)	3.4	3.4	4.0	4.2	4.7
Commonwealth of Australia (e)	36.9	38.8	43.3	42.7	44.2
<i>Commonwealth Government</i>	7.8	7.7	9.3	9.4	8.7
<i>State Governments</i>	29.1	31.1	34.0	33.3	35.5
New Zealand (c) (f)	6.1	7.2	6.7	6.9	7.6
Union of S Africa (c)	11.3	12.3	12.9	11.2	11.2
Irish Free State (c)	0.2	0.9	1.4	2.1	2.3
	1929	1930	1931	1932	1933
Canada (a) (b) (c) (d)	4.6	5.8	3.5	1.8	1.3
Commonwealth of Australia (e)	40.1	30.3	14.7	9.2	10.3
<i>Commonwealth Government</i>	8.2	5.3	2.0	3.4	0.6
<i>State Governments</i>	31.9	25.0	12.7	5.8	9.7
New Zealand (c) (f)	7.5	8.2	4.6	1.8	2.2
Union of S Africa (c)	10.4	10.8	10.1	8.6	*
Irish Free State (c)	2.5	1.9	1.7	1.8	3.5

(a) For the rates of conversion into £ sterling see Table No. 1, p 1 of the *Abstract*.

(b) Inclusive of railway subsidies.

(c) For the 12 months ended March 31 of the years following those stated.

(d) Total expenditure on Public Works.

(e) Net expenditure for the 12 months ended June 30 of the years stated.

(f) The figures given represent capital expenditure on Public Works. No works expenditure from loans. The figure represents expenditure on Wheat Bounty (£3,296,464) and Unemployment Relief (£153,873).

* Not yet available.

Net credit from loans (£726,910) and expenditure on Wheat Bounty and Unemployment Relief (£1,288,505).

Source: Statistical Abstract for the British Empire, H.M.S.O. London, Cmd. 4819 of 1935.

relief and partly for wider projects. The sums so provided, together with direct expenditure by the Dominion Government under various Relief Acts, were very large. On the general public works programme providing for employment on a full wage basis it became necessary in 1932 to curtail expenditure.

The above table of expenditure from loans on public works is given with the reservation that there is some difficulty in obtaining strictly comparable figures. But the figures show a heavy falling off in expenditure of this nature during the depression. In Canada and New Zealand the fall was delayed until 1931, in South Africa until 1932; in Australia there was a heavy diminution of public spending in 1930, and a still heavier fall in succeeding years. In the Irish Free State the differences were less, and in 1933 expenditure was greater than in any year since 1924.

CHAPTER IV

WORK RELIEF

1. *Alternative to Unemployment Insurance or Relief*

THOUGH an extension of employment through intensification of activity on public works is part of a policy for dealing with general depression, public works themselves provide, as has been shown, a considerable share of employment in normal times. Work relief, on the other hand, is generally a device for depression, and normally is unimportant in countries with an adequate insurance system providing for short periods of unemployment. But some States in normal times prefer expenditure on relief work schemes to unemployment insurance. This has been the case in so progressive a country as Sweden, which has only recently, under pressure of severe unemployment, adopted a system of unemployment insurance; and in many countries where unemployment insurance is of earlier date preference is given to work relief.

Distinction between Public Works and Work Relief Work relief is employment on public work (as distinguished from public works), provided either as the inescapable condition of relief, or as an alternative under considerable pressure to accept it. In its essential conditions it has nothing to do with public works as an expansionist policy, yet in many countries and under certain circumstances work relief policy tends to develop into a public works policy and vice versa. Certain parts of the German and Italian programmes outlined in the last chapter are practically work relief. On the other hand, in Poland an initial policy of work relief has broadened out into a public works policy with wider aims. A fairly clear distinction between public works proper and work relief is general, though not universal: the wages paid on public works are the wages current in the occupation concerned, whereas the wages paid in relief work are calculated on a relief basis, or in some cases at rates fixed not by a relief scale but on a basis rather lower than current local wage-rates, so that the incentive to obtain ordinary work may remain. These general considerations apply in varying degrees to the policies set out in the following pages.

Motives of Work Relief Policy. The motives which have generally led to the provision of public work for the unemployed as an alternative to relief have little to do with the advantages or disadvantages of an expansionist policy. They are the widespread belief that idleness in itself is demoralizing, that a man should work for his money, that

the State should exact a return for its assistance and not give 'something for nothing'. A less crude and more reasonable attitude is that since the State must relieve unemployment it is desirable that men should be employed on work which will increase the national wealth and will maintain them with the sense that they are earning their living, *even if the cost to the State is greater than the cost of direct relief will be*. In countries where this point of view is definitely adopted relief works are a first-line policy in dealing with unemployment.

When work is created as a direct alternative to relief the amount of work provided by a given expenditure is a primary consideration. The desirability of the work to be undertaken is judged less by its economic advantage than by its capacity to absorb labour.

Capital Cost of Providing Employment on Public Work. The International Labour Office¹ have collected data on the *direct* employment furnished by a unit of expenditure on public work, though only rough estimates can be formed in view of the diversity of conditions, the kind of work, length of the working day and year, the relative use of materials and of labour. Summing up the available evidence the International Labour Office estimate that on ordinary public work schemes not exclusively designed to relieve unemployment the cost per man-year of direct employment varies according to the country and the nature of the work between 2,500 and 6,000 Swiss francs, while for each worker directly employed another is provided with six to twelve months' work in the supply industries.

The Final Report of the Unemployment Grants Committee in Great Britain, covering the period 1920-32, found that the capital expenditure required to employ one man for a year varies from £160 to £400, according to the kind of work undertaken. In land levelling and similar schemes practically the whole expenditure may be on wages. On the other hand, electricity supply schemes, docks, and harbours give a comparatively low return by way of direct employment, but a high return of indirect employment in the manufacture of materials, such as cables, transformers, and motors in the former type, and cranes, rails, lock-gates, slipway machinery, and dredgers in the latter type. In general, therefore, a small return by way of direct labour is to a considerable degree balanced by a correspondingly large return by way of indirect employment² Taking into account direct

¹ *Public Works Policy* (1934, Geneva), (already cited). For an estimate of the secondary work provided see Mitznitzky (M.) in *International Labour Review*, October 1934.

² *Ministry of Labour Gazette*, July 1933, p. 241. Mr. Keynes in *Means of Prosperity* makes a lower estimate of the capital required. He gives reasons for estimating that a loan expenditure of three million pounds would employ

employment only a capital expenditure of one million provides employment for 2,500 men for a year.

Limitations of Relief Work. Work relief is more costly than relief in money. Moreover, the real burden is not ordinarily borne by the administration providing the relief work, since amortization charges are usually spread over a period of years and continue after the employment provided has ceased. Its economic and social advantages must therefore be sufficiently great to justify the extra expenditure. If the argument for its application is the retention of the morale and skill of the unemployed the work provided must be useful in itself so that the worker is convinced that it is not merely 'made work', and it must not be of a character which will destroy his special skill. There is less difficulty in providing work of the required kind in countries with a large population accustomed to the rougher kind of labour than in a country like Great Britain, where unemployment is considerable among men and women whose usefulness depends on skill and on delicacy of touch. Work relief has been tried in Great Britain, but experience of its results has not been thought to justify a wide extension of the principle.

Since the area of industry in which Governments can provide work is strictly limited, and since, even if that limitation did not exist, it would be worse than useless to provide employment by establishing factories and workshops whose products would compete with the products of ordinary industry, the work available is mainly of the rougher, heavy kind. The character of relief work is further limited by its temporary nature. The personnel of the labour is constantly changing with the conditions of outside employment. A man must be able to leave it when the opportunity of returning to his normal occupation offers. The suitability of the unemployed person to the work thus becomes of pressing importance. The 18th International Labour Conference in their Recommendations on Unemployment Insurance and Relief found it necessary (para. 11) to urge that 'when imposing on an unemployed person an obligation to accept employment on relief works, account should be taken of his age, health, previous occupation and suitability to the employment in question'.¹ Neglect of this principle obviously may lead to considerable hardship and may impair a man's potential earning capacity. The case for

at least 20,000 men for a year directly or indirectly. He points out that the budget would improve with the reduction in the cost of unemployment, and the increase in the national income would bring a net increase in taxation to the Exchequer, though not necessarily until a later year.

¹ International Labour Office: *Official Bulletin* (Aug. 15, 1934, Geneva), p. 51.

work relief is strongest when a man has been unemployed for a long period; there is little to be said in its favour for short-period unemployment.

Work relief, though provided for under the Unemployment Grants Committee, is comparatively unimportant in Great Britain.¹ The practice of earmarking certain special schemes under the Road Fund as 'unemployment work' was discontinued in 1925-9, though it was afterwards revived for a short period.² At the end of 1934 about 7,000 men were employed in this way, of whom about 2,000 were drafted from the depressed areas.

2. American Policy

In the United States, since President Roosevelt took office, work relief has been an important part of the administration's programme. The traditional American hostility to direct relief makes a policy of public works and work relief more acceptable. The Unemployment Relief Act, June 6, 1933,³ and subsequent measures have provided very large sums for the engagement of unemployed persons on various works of public utility, and on housing, clothing, health services, and cash allowances.

C. W. A. A large-scale experiment in direct work relief under this Act was conducted by the ill-fated Civil Works Administration, formed on November 9, 1933, because of the slow development of employment

¹ It is worth noting that the Commissioner for the Special Areas in England and Wales, in announcing (June 19, 1935) particulars of 46 schemes to be assisted from Government funds in those areas, states that 'in view of the technical nature of the works concerned' it is regarded as essential that the work should be carried out by contract. That is to say, the choice of labour depends on the suitability of the man for the job; the work is not to be relief work, though the employment of persons now unemployed is the main reason for undertaking the works.

² Expenditure in the form of grants to Necessitous Areas and Unemployment Grants Committees has varied as follows:

TABLE LXXXIV

<i>Year</i>	<i>Unemployment grants and loans</i>	<i>Year</i>	<i>Unemployment grants and loans</i>
	<i>(£ millions)</i>		<i>(£ millions)</i>
1913-14	0.05	1925-6	3.62
		1926-7	6.07
1921-2	3.80	1927-8	1.93
1922-3	2.27	1928-9	1.76
1923-4	2.97	1929-30	1.94
1924-5	3.49	1930-1	2.95

³ The text is printed in *National Recovery Measures in the United States* International Labour Office (1933, Geneva)

under the various public work schemes proper. 'Unemployed people were hired by the Government and put to work on projects of local improvement.'¹ Within three weeks 1½ million workers were enrolled; by December 9, 2½ millions; by January, when the extravagance of expenditure and some scandals became apparent, 4 millions. Thereafter employment and pay-rolls were curtailed. Liquidation was practically complete by the end of March 1934, a proportion of the persons employed being transferred to the Federal Emergency Relief Administration. The C. W. A. had taken over the work of relief from the municipalities, whose funds were practically exhausted. The cost during its short effective existence, November 1933 to the first half of April 1934, was about 1,000 million dollars.² The payments and allowances under C. W. A. were considerably reduced when the beneficiaries were transferred to the Emergency Works Divisions of the Federal Emergency Relief Administration. About one-third of the 4½ million recipients in July 1934 were employed on work projects.³

Camp Work. A smaller organization, aimed primarily at providing for the young urban unemployed men, is the Civilian Conservation Corps. The movement, which was organized in April 1933 and put into effect in the summer, drafts the men into camps, where they do lumbering and forestry work. The 1,468 camps, although expensive, are generally agreed to be effective and well organized. The camps were originally designed to occupy a quarter of a million unemployed, and in August 1934 370,000 were on the rolls. The camps are liberally provided for out of Public Works Administration funds. These camps are not purely designed for work relief, but mainly perhaps, as the name implies, for the conservation of the health and morale of the young men between the ages of 18 and 25 for whom they were originally intended.

Work Relief Act of 1935. The \$4,880 millions Work Relief Bill of the Roosevelt Administration passed through Congress in April 1935, on the condition that in the case of loans and grants for construction 20 per cent. of the money should be spent on wages. The Bill provides for much work which falls properly under the head of public

¹ *Report to the League of Nations in National Public Works* (1934, Geneva), p. 118.

² \$400 millions allocated from P. W. A. grants in Nov. 1933, \$100 million from F. E. R. A., and about \$450 millions from a Vote of Feb. 1934, in addition to balances transferred from municipal allocations unexhausted when the C. W. A. took over.

³ *Report of the Executive Secretary of the Executive Council to the President*, Aug. 1934. Detailed information on the various systems of assistance are now available in International Labour Office, *Social and Economic Reconstruction in the United States*, Studies and Reports Series B, No. 20 (1934, Geneva).

works, its object is the provision of work for $3\frac{1}{2}$ million persons. The money is allotted as follows:

TABLE LXXXV

*U.S.A.—Proposed Expenditure on Public Works and Reliefs
in 1935-6*

Emergency Relief Administration	\$880,000,000
Civilian Conservation Corps	\$600,000,000
Loans and Grants for Construction	\$900,000,000
Highways, Roads, and Elimination of Grade Crossings,	\$800,000,000
Rural Rehabilitation, Water Conservation, Irrigation and Reclamation	\$500,000,000
Rural Electrification	\$100,000,000
Slum Clearance and Low-cost Housing	\$450,000,000
Relief of 'White Collar' Workers	\$300,000,000
Sanitation, Soil Erosion, Reafforestation, Rivers and Harbours, and Miscellaneous	\$350,000,000

3. *Work Relief in European Countries*

Sweden. In many European countries the relief of unemployment has been through the provision of work. Especial interest attaches to Swedish experience, since that country has pursued a well-defined policy for many years and has only recently adopted a compulsory insurance scheme. But before the Budget of 1933, which laid down a definite policy of expansion, Sweden had a highly developed policy.¹ The National Employment Commission, on which the selection of suitable schemes devolves, works on certain general principles in approving schemes. The work carried out for any public body must be justified on economic or cultural grounds, and must be of a character not likely to be carried out normally through the labour market. Wages must form a comparatively large proportion of the total cost, and it should be as far as possible work which can be continued in winter. The cost of carrying out the work is met principally out of State funds placed at the disposal of the Unemployment Commission for the purpose; where the work is carried out by another public authority a certain contribution may be required from the authority.

The wages paid on reserve works may be lower than the minimum unskilled workers' wages on the open market, but there are certain advantages, such as free travelling, housing, and sometimes local

¹ Huss (Dr. E. G.), 'The Organisation of Public Works and Other Measures for the Relief of Unemployment in Sweden', in *International Labour Review*, July 1932.

allowances. Generally speaking, reserve works' wages have been about 20 per cent. below the level of unskilled wages in the locality, but more recently it has been decided that they may not exceed the lowest local unskilled wage-rate. In practice this generally means that the two rates will be the same. As the workers are on piece-rate wages, average actual earnings may be, and usually are, higher than the minimum fixed. The payment of these lower wages has been justified on the ground that the experience gained on the reserve works shows that when there is an improvement on the open market—such as always takes place, for instance, in the warmer season—there is a definite exodus of workers (5 to 15 per cent. per month) who have found other employment on their own account. The lower wages paid on reserve works thus tend to preserve the workers' interest in supporting themselves, and their mobility as regards both occupation and locality. As many of the workers employed come from urban districts where the cost of living is higher, a man with a family—the family remaining in the urban district—requires and receives a local allowance equal to the difference between the two local rates. Where lodgings are not available locally the men are housed in small transportable buildings fitted with heating and cooking equipment.

Rather more favourable rates on reserve works were sanctioned in 1933, and there were some complaints that the work in consequence tended to attract labour from agriculture. In introducing the new Unemployment Bill in 1934 the Minister in charge of the Bill said he did not attach decisive importance to these objections. He thought there would be a continuing need for public work of this kind even if the improvement in business conditions proved lasting, on the ground that improvement in agriculture necessitated State effort.¹ The number of persons employed on reserve works was expected to rise to 42,000 by June 1934.

Poland. In Poland the Unemployment Relief Fund, set up by the Decree of August 23, 1932, for the organization of relief among persons not in receipt of unemployment benefit, was wound up in the spring of 1933, and a new Act, March 15, 1933, established an Employment Fund, the function of which was to substitute work as far as possible for the distribution of relief and to stabilize the planning and financing of public works, including road work, the construction and improvement of canals and railways, land reclamation, housing, land settlement, &c. Under the new organization an Investment Fund was established to finance capital expenditure on works of public utility. This fund will be financed by non-interest-bearing Treasury Bonds which shall be legal tender in payment of public dues. Hitherto the Employment Fund, as also the Road and the Land Purchase

¹ *Industrial and Labour Information* (Apr. 16, 1934, Geneva), p. 85.

Funds, had been financed by taxes, so that the scheme marks a departure from the country's previous deflationary policy.¹ Relief work is being merged in a larger policy of public works

The programme for 1934-5 provided for several national schemes. The credits granted by the Employment Fund must not exceed the cost of the labour on the proposed works. Preference was given to investments offering a direct return or of economic importance, including the organization of agriculture and suburban settlement. Unemployed young persons worked in teams on the lines of voluntary labour service. Finally, the system was supplemented by relief in cash and in kind.²

The State works actually arranged for—buildings, roads, railways, waterways, housing—would provide work for 213,600 workers.³ The Minister of Labour, in anticipating objections to the low rates of wages payable, said the object was to improve the national health and to reduce idleness to the greatest extent possible with the funds available.

Germany. In Germany the principle of 'productive unemployment relief' had been enforced definitely in connexion with the provision of work for the unemployed in 1920, when the Reich Minister of Labour was empowered to issue at reduced rates loans or advances out of the unemployment fund for the creation of work for the unemployed, either by public or private undertakings. On July 1, 1927, a new law providing for 'productive unemployment relief' was passed to define more exactly the principles on which loans could be made.⁴ The work undertaken should be for the advantage of the community, and be of a kind which would not ordinarily be carried out by private enterprise. Loans made were to be repaid in quarterly instalments within a period of not more than fifteen months after the completion of the work. No overtime was to be permitted, and workers should be supplied from the employment exchanges; efforts should be made to carry out as much of the work as possible during the winter months, when unemployment is normally high. In the work-creation projects of subsequent Governments it is difficult to distinguish between pure relief work projects and a general public works policy, of which some account is given in the preceding chapter. But in 1932 the average number of persons employed on relief works was 48,570, which

¹ *Industrial and Labour Information*, Nov. 6, 1933, p. 181. See also for details of finance the issue of Dec. 11.

² The Polish programme of 1934-5 involved credits of 320 million zloty to provide work for 213,600 persons. (*Ibid.*, Mar. 12, 1934, p. 367.)

³ *Ibid.*

⁴ Assistance for such works was to be provided in two forms: (a) *Basic Assistance*. The benefit money saved by the employment of persons otherwise receiving benefit or relief. The equivalent of standard benefit to be provided by the Institute for Unemployment Insurance; of emergency benefit 4/5ths from the Reich and 1/5th from the communes; of relief from the municipalities. The first two of these might amount to 3 marks per man-day. (b) *Extended assistance*. Loans and other assistance to the employing body from the Reich and the State benefiting by the work. Loans at 4 or 5 per cent, about fifteen years basis.

steadily increased until in 1934 it reached the figure of 600,000¹ From May 1934 onwards the emphasis was transferred from relief works to Agricultural Aid, increasing restrictions being put on relief works. The Circular of the Institute for Employment Exchanges and Unemployment Insurance of July 11, 1934, rules out subsidies to public bodies for increasing plant for productive purposes, roads specially designed for motor traffic, air-raid shelters, forestry (except as test-work for unemployed women), and amenity construction. At the peak point of relief work activity 'substitute employment' of all kinds totalled about a million workers.

The German Labour Camps began under the auspices of voluntary organizations. They were nationally organized under a decree of June 5, 1931, which placed control in the hands of the Institute for Employment Exchanges and Unemployment Insurance. Modifications of the management and the rules were made by later decrees. Further changes were made in the organization in July 1933, and proposals were put forward for making Labour Service compulsory on young men. The possession of a Labour Service certificate is a considerable asset in seeking work. The camps were designed partly for the provision of work, but perhaps quite as much for the development of physique and *esprit de corps*. The change of emphasis from employment to training is shown by the transfer in July 1933 of their jurisdiction to the Ministry of the Interior, except with regard to the payment of subsidies from insurance funds. Many young men displaced from industry to make way for older men were drafted into the camps. The expense of maintaining the camps has restricted their extension. In November 1932 the inmates numbered 285,000; in 1934 the number had fallen to 200,000. This number of places was obviously insufficient for a compulsory service.²

The Labour Camp movement had less success in Austria, but has been considerably developed in Poland, and recently in Switzerland. Although the camp movement is most highly developed in central Europe, it did not originate there but in Bulgaria.

¹ The employment offices allow the public authorities undertaking the work a subsidy per worker employed amounting to a fraction of wages. Under the Unemployment Insurance Act, unemployed persons engaged on relief works are entitled as a rule to the wage-rates laid down in the collective agreements in force in the district; but the employment offices may fix lower rates if payment of the collective agreement rates would mean an advance on previous wages or if low output does not justify normal rates. The rates are so low in some districts that bonuses have had to be paid on them to workers transferred to them from Berlin. The employer deducts 10 marks a week for the worker's family, who continue to receive assistance and tickets enabling them to procure cheap edible fats. For some kinds of work (levelling, &c) wages are equivalent to the benefit or relief payment to which the man would be entitled, plus 25 marks a month. The subsidy from the Unemployment Insurance Institute to the employing authority was reduced in July 1934 from 3 marks a day per man to 2 marks 50 pf. (*Industrial and Labour Information* (Aug. 13, 1934, Geneva).) Later the subsidy seems to have been restored to the full 3 marks a day.

² Ibid.

Bulgaria The Bulgarian Labour Service was started as the means of execution of urgent public works and not as a remedy for unemployment or for the discipline and education of unemployed youth. But under crisis conditions the work relief aspect has developed. Obligatory labour service was imposed by Stambulisky's law of June 5, 1920, but the Conference of Ambassadors objected to the execution of the proposals on the ground that they controverted the terms of the Treaty of Neuilly. These objections were overcome in October 1921, and young people were called up for service, the first period being eight months and four months for young men and women respectively, and twenty-one days in subsequent periods. The numbers rose from 10,750 in 1921 to 28,754 in 1923. After a period they fell, but in 1930 and 1932 the numbers who served at some period of the year were 19,600 and 20,700. The greater part of the work is done on roads and railways, and the men (the employment of women was small and soon lapsed) are recruited mainly from agriculture. Service has not been universal, since liberty to commute was given at an early date. A law of November 1934 institutes voluntary labour camps, only young persons in receipt of unemployment allowances were compelled to enter these camps. Under this law 2,000 young men had been brought in, as against the 20,000 a year provided for by compulsory labour.¹

4. *British Dominions*

In the British Dominions relief works form an important part of Government policies for dealing with unemployment. In almost all the Dominions it is difficult to draw the line between 'public works' and relief work. But in all these countries efforts are made to avoid ordinary relief as far as possible and to put the unemployed to work.

New South Wales. The New South Wales Unemployment Relief Council, constituted in 1930, spent over £12 millions in the four years 1930-4, mainly on public development schemes. By 1934 unemployment had fallen to about 80,000, of this number 58,000 were employed on public works proper and about 18,000 on ordinary relief work, on schemes selected primarily for their capacity for absorbing labour.²

Canada. In the Dominion of Canada Dominion disbursements under relief legislation either to the provincial Governments or by direct provision of work by the Dominion authorities amounted in the fiscal year 1933-4 to 33 million dollars.³ For the month of February 1934 the reports showed about 7 million dollars expended by Dominion and Provincial Governments on direct relief; 2 millions on various provincial works and on camps, on a subsistence basis; half a million dollars spent on employment

¹ See speech by M. Mochanoff at Geneva, reported in *Industrial and Labour Information*, June 17, 1935.

² New South Wales Report in League of Nations, *National Public Works* (1934, Geneva).

³ For the details year by year see the *Annual Reports* issued at Ottawa on the working of the Relief Acts.

on a wage basis; and small sums on relief settlement and farm placements. Expenditure on work provision was therefore less than half the amount expended by way of direct relief. The policy of direct relief as against work relief has made considerable advance since 1932.

The regular capital expenditure of the Dominion Government was increased in the early years of the depression and stood in 1930-1 at 28 million dollars. In 1932 expenditure was reduced and the estimates for 1933-4 provided only 6½ million dollars for capital expenditure. The following table gives the expenditure for five years, including the regular expenditure on capital works just indicated.¹

TABLE LXXXVI

Total of National Public Works Expenditure, March 1929 to June 1934

Regular capital expenditure .	\$82,881,000
Direct Dominion expenditure on public works under Relief Acts .	\$14,820,000
Grants to provinces and municipalities	\$40,000,000
Loans to provinces for public works	\$10,000,000
Public Works Construction Act	\$39,690,050
	<hr/> \$187,391,050

New Zealand The Unemployment Relief Board in New Zealand, formed in 1931 to deal with growing unemployment for which local relief works were insufficient, is financed by a special unemployment tax on wages, salaries, and other incomes. It works mainly through the provision of work either direct or by subsidizing the employment of labour in the farming, building, and certain other industries.² As in Canada part of the work relief is given in camps for men working on afforestation and other schemes. Part-time relief work is an important feature in the New Zealand schemes.³

Union of South Africa. The South African Government has a considerable ordinary expenditure on public buildings and other works. During the depression slackness in private building has made Government work of greater relative importance. In March 1934 the Government adopted an exceptionally large building programme to assist in the revival already beginning in the industry. The main part of unemployment policy as such is related to land settlement and improvement.

¹ Information supplied by the Dominion of Canada to the League of Nations. League of Nations: *National Public Works* (1934, Geneva), pp. 86-7. Cf. the sterling equivalents for regular capital expenditure on p. 306.

² Riches (E. J.), *Unemployment Relief Measures in New Zealand* (1934, Geneva: International Labour Office), and the references there given.

³ For the various scales of pay and allowances see *Industrial and Labour Information* (Mar. 25, 1935, Geneva), p. 376.

CHAPTER V

EMPLOYMENT ON THE LAND

IN nearly all countries stress is being laid upon the possibilities of the extension of the demand for labour by agricultural development of various kinds. The hopes placed on land settlement are the more remarkable at a time when there has been a heavy fall over a considerable period in agricultural prices and little evidence of increased demand. During the twenty years before the War, when European exports were expanding, there was a considerable movement from agriculture into the towns. It is not easy to see how the reverse movement can be executed, since the processes of agriculture have been rationalized during the same period and there is already considerable unemployment among agricultural workers.

1. *Movement Back to the Land during the Depression*

Since the War there has been in some countries a considerable movement 'back to the land', encouraged by Government efforts to create forms of agriculture which will be economically sound and will retain people on the land by offering them outlets for their ambition. Though as a rule the movement has not been directly connected with the mitigation of unemployment, it has been officially encouraged as a palliative, if only because the persons transferred can raise most of their own food and are left with a surplus large or small with which they can purchase other necessities.

Allotments and Small-holdings A distinction has to be made between allotments, which are only designed to afford part-time occupation to the holders and to supply them with vegetables, and small-holdings, which take the whole time of the occupiers. The latter class alone comes under the rubric of land settlement, and its produce in the main comes into the ordinary market and meets with competition except where such commodities as vegetables, fruit, poultry, and eggs find naturally protected markets locally.

The tendency is irregularly distributed in the Western world.¹ Thus in Great Britain there appears to have been in recent years a decrease in the total number of very small holdings,² but an increase in holdings of between 20 and 50 acres, an increase which began, however, before the slump and can hardly be connected with unemployment,

¹ For a general survey see *International Review of Agriculture* (Sept. 1933, Rome).

² Too much stress must not be laid on the figures of very small holdings as the official statistics include 'accommodation' land for butchers, for hunters in summer, and so forth.

though the provision of allotments in some areas has been definitely speeded up in order to provide occupation for the unemployed.

Transference to Rural Areas. In Germany in 1930 the fifty largest towns showed a decline in one year of 2.9 per 1,000 of population. In 1931 it was 5.9 per 1,000, and in 1932 4.0 per 1,000. With the degree of revival in 1933 and 1934 there was a tendency to return to the towns, and various measures to prevent migration of this kind were adopted. In Italy the internal movement of the population is closely State-controlled, and its character seems to be rather of a movement from one agricultural district to the settlement of another (generally a reclaimed or sparsely populated one) than of de-urbanization.

In the United States the movement of population back to the land is of considerable dimensions. The Department of Agriculture reported, in February 1931, 'that for the first time in ten years the farm population has increased, as a result of a country-ward movement of the city population'. In 1933 the Department stated that the farm population was the largest ever yet recorded. The available figures show that the country-ward trend in 1932 outbalanced the city-ward trend by over half a million.¹ The 'back-to-the-land' movement is an essential part of the Roosevelt policy, even though the limitation of farm production would appear to point in the other direction. Since agricultural wages were at their lowest point for thirty-four years and the general level had declined by January 1933 to 74 per cent. of the average over the previous five years, there is no indication of any shortage of agricultural labour to encourage a landward movement.

Information with regard to South America is generally lacking, and in any case the industrialized areas are not readily comparable with those of Europe. The State of São Paulo in the first ten months of 1931 transferred 47,063 workers from the capital to the interior.

This movement from the towns to the country took place at a time when unemployment in rural occupations was considerable, though less acute than in industry.

2. *Unemployment and Congestion in Rural Areas*

Unemployment. Even in agriculture an increase in the numbers of unemployed workers was reported in all European countries² during the depression, in spite of high agrarian protection. In Italy seasonal

¹ *International Review of Agriculture* (Sept. 1933, Rome), pp. 365 seq.

² A resolution adopted by the 18th session of the International Labour Conference proposed a special investigation by the Office of unemployment among agricultural labourers, and suggested the sending of a questionnaire to State Members with a view to drafting an international regulation or convention providing for an effective system for the prevention of unemployment and a special scheme of unemployment insurance or assistance.

unemployment in agriculture is very severe; in January 1932 it was over a quarter of a million.¹ In Hungary in 1932 it was reported that 35 per cent. of land workers were unemployed even in summer. The Hungarian Government in 1932 put pressure on landowners to avoid as far as possible the use of machinery in order to minimize unemployment.² Unemployment among land workers in central Europe, however, is generally most severely felt among forest workers, for whom effective protection is difficult. In Poland the cessation of emigration, permanent and seasonal, has caused acute congestion in rural areas, and unemployment of the unregistered kind is very high. Even before the depression there was the barest subsistence in the crowded homes of the peasant, and in 1933 it was reported that on almost every holding there was superfluous labour.

In Germany the number of agricultural workers³ registered at employment exchanges as available for and seeking work rose from 14,593 in August 1927 to 59,252 in August 1930, and from 44,116 in December 1925 to 195,637 in December 1930;⁴ although this increase may be partly due to increased effectiveness on the part of the labour exchanges, the figures are significant. Nevertheless, in 1934 large numbers of young unemployed men and women were placed on farms as additional subsidized workers at non-economic pay-rates.⁵

In Great Britain at the end of 1929 the percentage of unemployed among farm labourers was put by the National Union of Agricultural Workers at $4\frac{1}{2}$ per cent. The general rate of unemployment in agriculture, as shown by the census returns, indicates, however, a basis of $7\frac{1}{2}$ per cent. for the insurance proposals. This rate is materially higher than in some industries already included in Unemployment Insurance. The Unemployment Insurance Statutory Committee proposed reduced contributions in case of long hirings (customary in Scotland and Northern England and Wales); lower rate of contributions and payments than in the general scheme; certain seasonal harvest work (fruit and flowers, &c.) excluded.⁶ The numbers of

¹ Agriculture and Fishing. Special measures have since been adopted to reorganize seasonal work in agriculture. See p. 375.

² See also International Labour Office. *Unemployment Insurance and Various Forms of Relief for the Unemployed* (1933, Geneva), for further information on agricultural employment.

³ Including stock breeding, agriculture, market gardening, and fishing.

⁴ Figures for one day at the end of the month.

⁵ Further provision for the placing of young persons in agriculture (Agricultural Act) was announced on Mar. 12, 1935 (see *Industrial and Labour Information*, May 27, 1935, pp. 292-3).

⁶ See *Ministry of Labour Gazette*, Feb. 1935. The insurance proposals have since been deferred.

regular workers in agriculture in Great Britain declined in 1934 (the decline was in England and Wales).

Congestion. The necessity of providing for the congested rural population has been familiar enough in Ireland. It is a serious problem in many parts of Europe, and has attained more serious proportions with the decay of the home industries—in the highlands of central Europe—which before the War enabled peasants to eke out a living. Part of the European land settlement has been undertaken to remedy these conditions, either by providing additional land for peasants whose holdings are very small, or by assisting farmers to a more intensive use of the existing area.¹ Improvements of this kind are essential if the movement towards the land is not to be arrested or reversed when industrial activity revives. If the more permanent trend towards urbanization is to be stemmed the rural standard of living must be at a level roughly comparable with urban standards. Indiscriminate settlement tends to lower these standards, and in the long run to aggravate the situation. The inferior level of social insurance of various kinds in rural areas is one important drawback which could be remedied by Government action.

The position in China, India, and Japan is one of excessively small holdings, and relief in all these countries means assistance for the restoration of the exhausted soil, and the reintegration of fragmentary holdings rather than settlement.

Overseas Countries. A complete contrast is provided by the situation in non-tropical overseas countries, where there exist considerable areas of undeveloped land. Little increase in settlement has been made in recent years in these countries because excessively low world prices of agricultural products militate against success. In the United States the premiums offered for the reduction of the cultivated area have the aim of reducing production and raising prices so that farmers already established may be able to make a living. The reduction of farmers' indebtedness in terms of produce was secured by the devaluation of the dollar, and by other measures. In the British Dominions, under the difficulty of finding export markets, settlement has slowed down, and there has been a drift to the towns and even a return of agriculturists to the countries from which they had emigrated.

¹ For a discussion of these problems see *The Rural Exodus in Germany* (International Labour Office: Studies and Reports, Series K. No. 12). An important factor is the increased use of fertilizers and machines which makes increased production possible without increasing the cultivated area and without necessarily increasing the number of workers.

3. *Aims of Land Settlement*

In spite of the difficult conditions outlined above land settlement has been advocated in many countries as a 'remedy' for unemployment. But some critics hold that the special stimulation of agriculture in the present period of world economic development is a cause of unemployment rather than a remedy for it. Excessive agricultural production was one of the contributory causes of the world depression, and, according to this view, the maintenance of economic equilibrium in the future demands an effort to transfer labour from the land into manufacturing industry and into services. This attitude is reinforced by the consideration that the economic nationalism implied in a 'back-to-the-land' movement in an importing country like Great Britain would intensify economic nationalism elsewhere.

It seems important to distinguish the aims of land settlement in so far as they are purely economic. For the moment the social and political factors which have played a large part in the land settlement of eastern Europe since the War may be left out of account.

The various schemes adopted may be directed to secure

- (1) a reduction of urban unemployment by putting more people on the land as labourers or small farmers ;
- (2) the maintenance of the existing population on the land in reasonable prosperity, and the prevention of agricultural unemployment and of unemployment in the rural occupations connected with agriculture ;
- (3) the temporary use of unskilled workers (urban or rural) for the development of agricultural resources by reclamation, drainage, rebuilding labourers' cottages, antiquated byres, and other farm buildings, &c. ;
- (4) the provision of allotments and subsistence holdings to give occupation to unemployed workers and thus maintain their morale, and to supplement any relief to which they are entitled.

With the second of these policies we are not strictly concerned, except in so far as it tends to reduce agricultural unemployment, and, by increasing rural well-being, to increase prosperity in the towns supplying the areas of land settlement. Land settlement of this kind means adjustments in the system of land tenure with the object of providing farms of the right economic size for the special conditions of the area, a readjustment in itself highly desirable, or a change in the character (towards intensive farming) of production of the small areas in question. In so far as the maintenance of the *status quo* requires an increase of tariff protection, as has been the case in France

and Germany, it raises the whole series of considerations briefly touched on in an earlier chapter on 'Protective Policies'.

The third policy is really a part of the public works programme. The fourth is a department of Social Service, aiming at the provision of occupation not necessarily remunerative.¹

Employment for Urban Workers. There are many difficulties in the way of the first: land settlement as a remedy for industrial unemployment. It requires the application of fresh capital to provide settlement for the unemployed, when the capital provision is already in existence in the unused capacity of industry. The application of capital for new settlers in agriculture is only justified if it does not manifestly prejudice existing cultivators or urban consumers, and if there is a market available for the kind of produce provided by the new holders. As they will be small producers their sales will be for the home market, and schemes for the establishment of small-holdings on other than a subsistence basis, therefore, commonly demand a high measure of agricultural protection, which may have its reactions on industrial prosperity particularly in countries like Great Britain whose economic welfare depends so largely on shipping and on exports of industrial goods in return for imports of cheap food. The reaction in the countries at present supplying food must also be considered. Further, the new men have to acquire their skill.

The economic desirability of the policy, therefore, obviously varies with the situation in individual countries. There is, however, a social argument so strong that it has been used and is being used to overbear the economic objections. In any case both the advantages and the disadvantages vary so greatly with the special conditions, the kind of production, the proximity of markets, &c, that the balance may shift from one side to the other in individual schemes. The present tendency in all countries is to make light of the drawbacks and to lay emphasis on the social advantages arising from a balance between industry and agriculture, and on the advantage of close contact between producer and consumer.

Allotments. The encouragement of suburban allotments in various countries has a different aim. One of the difficulties in highly industrialized countries with large cities is the complete separation between industry and agriculture. It is often said that the Belgian worker with his small plot of land, on which he works in his spare time, is

¹ In so far as the provision of allotments for the unemployed is concerned the Royal Commission on Unemployment Insurance expressed the opinion that there is probably no other method of alleviating the lot of the unemployed and of helping to preserve their morale which yields so great a social value in proportion to a relatively small expenditure (par. 660).

able to maintain a better standard of living when in employment and is able to tide over short periods of unemployment with reasonable success. Suburban settlements and allotments are a safeguard against distress, and they prevent the complete divorce from the soil, which is one of the evils of modern civilization.

Self-contained Settlements. Various experiments have been made in community group settlement under pressure of urban distress. These subsistence settlements are a reversion to Owenite ideas, and it would be easy to adduce economic arguments against the existence of isolated communities on a subsistence basis, using in many cases a primitive system of barter among the members, in the midst of highly organized modern communities. But necessity knows no law. Suburban settlements on a subsistence basis outside Vienna were established during the earlier depression in Austria after the War.

During the present slump, settlements of unemployed men outside German towns were set up by unemployed men receiving small sums in relief. The movement was encouraged by the State, which has given financial assistance since 1931. The Ministry of Labour, which took over the work from the Reich Commissioner for Suburban Settlement, may authorize advances to enable wholly or partially unemployed men to buy equipment and erect simple dwellings on their allotments. Usually building land is provided on favourable terms by the local authorities concerned.¹ A total subsidy of 5 million marks was authorized for 1933. Efforts are made to prevent fruit and vegetables from such plots coming on the market and competing with normal supplies. The suburban idea receives special encouragement in Germany as it means the retention in or near industrial centres of a potential labour force to be drawn upon when trade revives. It is of importance for part-time workers.²

¹ For details of the subsidy available see Institut für Konjunkturforschung, *Weekly Report*, Nov. 15, 1934. For some changes in the German policy of suburban settlement see *Industrial and Labour Information*, Apr. 1, 1935. The suburban settlements, originally formed to help the unemployed, must, it is declared, if they are to be economically sound, be devoted more and more to the use of regular workers, so that these may raise their standard of living by being able to produce some of their own food.

² When the suburban settlement schemes were first introduced, official encouragement was given mainly to the large industrial towns and areas, but preference will now be given to the smaller towns, for it is considered that the worker will thus have more chance of finding work, and so of remaining in his own district, when economic conditions improve. This change in policy corresponds to a spontaneous tendency which has recently made itself felt; 17,800 allotments with dwelling-houses were started on the first instalment of the subsidy, and of these 57 per cent. were near towns of over 100,000 inhabitants; the second instalment made a further 8,300 allotments possible, but only 35 per cent. fell to the large towns; a further 20,000 are expected to follow the

But it is recognized that suburban settlement offers no contribution to the basic problem of permanent and structural unemployment; it is successful as a temporary relief measure in towns with good prospects of future industrial development, where there is easy access to suitable land.¹

Under the new régime, which sees in the maintenance of the peasantry the means of liberating economic life from the domination of commercialism and capitalism, settlement of this type is to be pursued as part of a policy for planned decentralization of industry, which will increase the number of part-time workers.

In the United States a National Advisory Committee was formed in September 1933 to administer a fund of \$25 millions (under Section 208 of the National Recovery Act) for a subsistence homestead scheme intended to absorb permanently displaced industrial workers living in congested city areas. Before the end of the fiscal year fifty-eight projects had been approved, with from 25 to 800 homesteads in each of from 1 to 5 acres in size. They include garden homes for industrial workers and homestead schemes for stranded industrial groups.² Work on the Woodlake (Texas) project, creating a co-operative community of 100 families, was begun in February 1934, and the families (the heads of which had worked on preparing the settlement) moved in on August 11, 1934. It is estimated that, based on a fifteen-year amortization, the yearly cost, plus rural sustenance, is less than the yearly cost of maintaining the families on the relief rolls. The money spent on settlements of this kind is to be eventually paid back to the State through non-profit corporations, and will provide a rotating fund for the building up of other rural communities.³ These communities are not isolated in the strict sense; they are designed to provide agricultural work for families, some members of which will work in the cities as industry revives. They are part of a scheme for providing family resources on the land in times of unemployment.

In Great Britain the National Homecrafts Association promotes settlement on the lines of barter. The underlying principle is that the Group shall produce a maximum variety of things for the use of the community, the goods being exchangeable on a fixed scale.⁴

present allocation, and the decentralization will probably continue.' International Labour Office: *Industrial and Labour Information* (May 1, 1933, Geneva). For further particulars see Institut für Konjunkturforschung, *Weekly Report*, Nov. 15, 1934.

¹ Sering (M.), *Deutsche Agrarpolitik* (1934, Berlin), p. 88.

² See *Report of the Secretary for Agriculture*, Dec. 12, 1934.

³ *Report of the Executive Secretary . . . to the President*, Aug. 25, 1934, p. 26.

⁴ *The Times*, Aug. 7 and 13, and pamphlets issued by the Association.

The Association has established a community on these lines near Cheltenham. Mr Peter Scott has started a similar settlement for unemployed men at Upholland, near Wigan.¹ In the early stages of the Upholland scheme reliance is placed on the continued payment of unemployment relief.² Time will show whether these emergency colonies will survive. They have the best chance of survival in isolated districts such as parts of Cumberland and Durham

4. *National Policies*

Great Britain. The difficulties as already indicated are obvious enough in a country like Great Britain with a highly developed export trade, balanced to a considerable extent by food imports. The future for an expanding British agriculture needs to be more assured than it yet is before large schemes of land settlement can be safely undertaken. The effect of the reduction of imports upon employment in the export industries and the reduction in freights must be taken into account. Mr. Euan Wallace, in recommending land improvement and land settlement in Northumberland and Durham, points out that the success of any scheme for increasing employment depends on 'the existence of a permanent and adequate market'.³ The success of the new settler in the long run depends on the general prosperity of the various industries grouped under the head of agriculture, and these in turn depend on the purchasing power of the basic industries and cities.

Experiments by the Society of Friends and by the National Council of Social Service in providing allotments for the unemployed have shown that large numbers of them showed aptitude for the work. In 1934 the Minister of Agriculture, after consultation with voluntary bodies and others interested in placing unemployed men on the land, set up a Land Settlement Association for England and Wales, to be financed by a Government grant of £75,000 a year for three years on the basis of £1 for every £1 raised voluntarily. The Association formed in 1934 has received large assistance from the Carnegie Trust and has already made a beginning in the settlement of unemployed industrial workers on grouped holdings, with facilities for supervisory assistance in the early stages, not necessarily in the areas from which the men are drawn.⁴ Impetus was given to the movement by the reports of the special commissioners for the special areas published in

¹ *The Times*, Nov. 6, 1934.

² These payments also made possible the inception of schemes on an ordinary, non-subsistence basis, e.g. the Training Trust's poultry farming scheme at Mealsgate, Cumberland, for which two years of preliminary training and work are required. The Government have now adopted in principle the continuance for a time of payments to unemployed men on tiny holdings.

³ *Report of Investigations, &c.*, Cmd. 4728 of 1934, p. 96.

⁴ For the work done and proposed see Land Settlement Association, Ltd.: *Land Settlement. An Experiment in Social Economics* (1934, Broadway, Westminster).

1934.¹ The work actually carried out for allotments and small-holdings in the special areas is not on a large enough scale seriously to affect the economic balance of the country, but before a decision is taken on the land settlement on the large scale advocated by Mr. Lloyd George, a thorough survey of the situation is required, including the possibility of finding a market for larger quantities of home-grown produce, the best size and location of holdings, land tenure, the type of produce which should be encouraged, and the larger economic questions involved; the question cannot be divorced from the future course of external trade. Such an inquiry might prevent much possible failure and disappointment. Legislation for land settlement is already on the Statute Book in the Land Utilization Act (1931) of the Labour Government, rendered a dead letter by the advent of a Government pledged to economy.

The Commissioner for the Special Areas aims at 10,000 more allotments in the special areas in 1935. He is also co-operating with the Society of Friends and local authorities for the development of group holdings, and is to assist county councils and county boroughs in providing holdings of 5 acres or upwards. He is, further, co-operating with the Land Settlement Association for establishment of 200 families in holdings outside the areas, and also gives financial assistance to Subsistence Production Societies.²

The allotments movement has made great strides everywhere in the depressed areas of Great Britain assisted by the Society of Friends. In 1933-4 the Society hoped to place 200,000 men on plots, at a cost of about £90,000, of which the men themselves would provide half, the remainder being found by subscriptions and by an expected grant of £15,000 from the Development Fund.

Germany. The reasons given in Germany³ for increasing employment on the land—'re-agrarization'—are the destruction of capital and the decline in foreign trade; the only remaining economic resource, it was alleged, is the working population, which must be utilized fully, producing for the internal market. The ultimate reason for land settlement is the belief that the trade balance will require a greater degree of self-sufficiency. The fact that food can be produced more cheaply abroad is not regarded as an argument against settlement, since the alternative, with the existing shortage of capital, is permanent unemployment. Settlement is a long-term policy, designed as the basis of German economic life of fifty or a hundred years time; it is not directed towards re-employing surplus workers from industry, but towards re-employment on the land of labour displaced by the break-up of farms.⁴

¹ United Kingdom: Ministry of Labour: Reports of Investigations into the Industrial Conditions in certain Depressed Areas. (Cmd. 4728 of 1934, London, H.M.S.O.)

² *Ministry of Labour Gazette*, Feb. 1935, p. 48.

³ The Government view was expressed in an article by Herr Jaenisch (*Reichsarbeitsblatt*, June 25, 1934, reproduced in various German journals).

⁴ The subsidies offered for the employment of more farm-workers, and the 'land-year' imposed on a section of German young men and women are merely emergency measures.

Land settlement in Germany¹ dates from long before the War, when Germans were settled in the frontier districts for political reasons. Since the War it has proceeded steadily and systematically. In the whole of Germany up to 1934 67,000 new farms were created, and 117,000 farmers have acquired additional land. A large part of these operations are concentrated in East Prussia. The total of the land acquired for settlement purposes since 1919 is a million hectares. The effect has been an increase in employment in agriculture. There was an increase in the *tempo* of settlement in 1934. There was also some change in policy, more attention being given to the creation of larger and really self-sufficient holdings and the provision of additional land for the holders of small plots.

United States. In the United States large areas of cheap and good land no longer remain to be settled, and the Federal Government has now changed its policy of non-interference. In 1931 two committees were established, the National Land Use Planning Committee, and the National Advisory and Legislative Committee of Land Use. The object of the former was to unify the objectives and co-ordinate policies and activities among the various Federal and State agencies dealing with land problems. The object of the latter is to plan settlement in areas where farms have been abandoned.

Italy. In Italy the settlement of reclaimed territory plays a large part in the campaign against unemployment. Reclamation is a part of the public works programme, but settlement is also important, not from the point of view of urban unemployment, as in England, but for the absorption of some part of unemployment in agriculture, which forms a very large part of total unemployment in Italy. One of the principal undertakings of 'bonification' is that of the Pontine marshes, south of Rome, comprehending the plain between the mountains and the sea, and stretching from Nettuno to Terracina on the south.

By 1935 it is hoped to have the whole area settled on the basis of 5,000 family farms. These will be of various types and areas, and will be provided with ordinary wells, one for each farm. Some of the workmen employed may eventually be absorbed on the work on the newly cleared land, but for a greater part of them the work is necessarily temporary. Similar works are being carried out in the Adda valley, in the Trentino, in the Tuscan marshes, and in Apulia and elsewhere.

The Italian schemes provide an outlet from the congested agricultural areas, especially from mountain areas. Settlement is only part of the work. The transfer of labour is much wider. The 1934 annual report of the Commissariat for Internal Migration and Land Settlement stated that in the five years period, 1929-33, nearly 1½ million workers had been moved, a large proportion of whom were no doubt agricultural labourers. In that period 4,078 families were provided with farm holdings; in addition 1,420 families were established in the country round Naples and Bari, and rural

¹ See International Labour Office: *The Rural Exodus in Germany* (1933, Geneva).

establishment for road maintenance was considerable. Settlement in Cyrenaica is expected to provide for some hundreds of families

British Dominions. In all the British Dominions special aid has been given to agriculture in various ways, but land settlement has proceeded slowly because of the difficulty of providing markets. Nevertheless, under a Canadian scheme under which a sum (up to \$600) is advanced to enable families to settle on the land and become self-supporting, 1,563 families were settled in the year ended March 31, 1933. The scheme is financed jointly by the Dominion and local Governments, the maximum Dominion contribution per family being \$200, not recoverable (one-third of the total expenditure). The colonists take up their holdings of 100 acres in the winter, when transport over the snow compensates for the absence of roads, and live in shacks while they build their houses, they must then clear the land. In spite of the undoubted hardships of settlement there is eager competition for the land, and a considerable proportion of the settlers make good.

In New Zealand an Amendment Act (December 22, 1933) to the Small Farms (Relief of Unemployment) Act gives wider powers of Land Settlement and provides for more generous assistance in various ways from the central Government.¹

Land settlement for British emigrants was considered by the Committee on Empire Migration of the Economic Advisory Council which reported in 1932 (Cmd. 4075). The Committee concluded that it was premature to express a decided opinion on the ultimate value of the results obtained under the Empire Settlement Act of 1922, especially with regard to group settlement. The most satisfactory scheme of the group is that known as the Canadian Three Thousand Families Scheme, which arose out of an agreement between the Home and the Dominion Governments for the settlement of families from the United Kingdom on farms in Canada. The farms were provided by the Canadian Government and advances for the purchase of stock and equipment, up to £300 per settler, were made by the home Government. Up to July 1, 1930, 3,340 families, comprising 18,074 persons, had been provided with farms, and 2,500 families were still on the farms at the date of the Report.

The whole problem of settlement in the Dominions is discussed, with due caution, in that Report, which is indispensable to the student.

¹ *Ministry of Labour Gazette*, Apr. 1934, p. 123. See for further details an article by E. J. Riches in the *International Labour Review*, Jan. 1934.

SECTION II

ORGANIZATION OF THE LABOUR MARKET

CHAPTER VI

CONTROLLING THE SUPPLY OF LABOUR

1. *Equation of the Total Demand for Labour and of the Supply of Labour*

Reserves of Labour. The basic condition for any fruitful reorganization of the labour market is an accurate estimate of the total supply. This is by no means a simple sum in mathematics. It is true that the total and the age constitution of the population provide the fundamental data, but they only give part of the necessary information. In the chapter on Population we have shown that there are reasons for believing that pretty definite limits are fixed to the supply in western Europe in the next few decades. Adjustment of supply, however, is not a matter of mere numbers of the population of working age. The proportion of that population which enters the labour market varies from time to time in sympathy with economic conditions. War experience showed that under great stress of necessity a large reserve of labour was discoverable in the ranks of persons not normally gainfully employed. The necessity in this case arose from the nature of the demand for labour, but there is some evidence that in recent years there has been a movement into the labour market from this 'reserve' which has arisen from the necessity of earning a living among persons, more especially women, who would normally have stayed at home. The very considerable expansion of the German labour force in the post-war years suggests that many persons of the *rentier* class, especially women, were employed who would not have been employed before the War.

Effective Supply. On the other hand, the effective supply of labour at any given moment is not necessarily as great as the mere numbers of the population described as 'occupied' in census statistics would suggest. Labour is not a standardized or 'robot' commodity: its elasticity of supply is limited in various ways, especially in highly developed countries, by considerations of location and of skill. Labour in a particular locality is conditioned by the kind of skill required for the local industry or industries. There is great difficulty in securing mobility between different areas, and it is obviously impossible to have perfect mobility between industries in which specially acquired industrial skill is required. In other words, there might be conceivably

an exact equation between the total supply of labour and the total demand, and still unemployment in certain industries and in certain areas and a shortage in others.

Age Constitution. The tendency towards a higher age constitution of the population in western Europe reacts in various ways on labour supply. It means that for a time the proportion of the total population of working age will increase, i.e. there will be proportionately more candidates for employment. Further, the preponderance of the older age-groups probably means a greater tendency to unemployment for reasons of incapacity. With the rapid acceleration in the pace of modern industry (by the band conveyor system, to take one example), the struggle to keep up is harder for the older people, and presses more severely on the marginal worker, who is often an older one. This is particularly serious in a trade decline, as marginal workers are always the first 'lay-offs' and the last to be taken on again. Hence, in the West, one would expect the 'hard core' of unemployment to have a high proportion of older workers, and, owing to the reluctance to re-employ the old, to be growing 'harder' as they slip into unemployability. This is supported by analysis of British figures in some industries.¹

Surplus of Labour. Although the situation on the side of supply is never static and is susceptible to influences which are not readily predictable, the description of existing unemployment as set out in Part i of this book shows that we may expect a surplus of labour in certain areas and in certain industries in western Europe and North America for some time to come. The existence before the depression of over $1\frac{1}{4}$ millions unemployed in Great Britain and of $1\frac{3}{4}$ millions in Germany, of $1\frac{1}{2}$ millions in Russia, of about $\frac{1}{2}$ million in Italy, and of 2 to 3 millions in the United States, shows that there is still likely to be a serious dislocation in the labour market, even when the crisis is over. In a rapidly changing world the difficulties caused by the decay of certain industries and by the mechanization of others, accompanied by the rise of new industries, may be expected to recur. These declining industries constitute a special problem. If, apart from difficulties in individual industries, which may be adjusted in time, a pool of unemployed labour seems likely to remain a permanent feature of the system, it is worth while to consider various permanent measures for reducing the number of applicants for work.

¹ Not to any extent in coal-mining, but this is perhaps accounted for by strong trade-union organization, and by the acquired skill of the older miners. Percentage unemployment on Nov. 28, 1932, was 26.6 per cent. among all workers of ages 48-64, and 21.8 per cent. among ages 18-24. (*Ministry of Labour Gazette*, Sept. 1933, p. 315.)

2. *The Age of Entry into Industry*

Some allusion has been made in the chapter on Wages to the competition of the labour of children and young persons on the labour market. Estimates of the existing proportion of young people in the working force have been given in Part II, Chapter VII, a proportion likely to decrease in future decades in the principal industrial countries. The argument for keeping children at school for a longer period is not to be based merely, or even mainly, on the ground that the pressure of labour supply would be lessened. Nor is it to be based mainly on the fact of unemployment among juvenile workers, though in some countries and in some areas this is very serious.

Social Argument for Raising the School Age. The raising of the school age is primarily a social question. It is socially desirable for the improvement of the physique and mental calibre of the population. Children placed at work may undertake tasks beyond their strength. Their labour is often unregulated by ordinary trade-union conditions, and they may be employed for hours so long as to cause excessive fatigue. This is not only true for manual work, but in other occupations, especially those which entail attendance at evening classes because of inadequate education. The additional strain of attendance at evening classes may lengthen the working day intolerably. The strain placed on growing children would be heavy even for adult workers. We are not here strictly concerned with the cogent social argument except in so far that industry and trade, if they are to attain the fullest possible development, demand a high standard of physique and intelligence, which will not be forthcoming if adolescent workers are placed under too heavy a pressure. Moreover, the prospect of shorter working hours for adults demands a more liberal education than can be obtained by children leaving school at 14, if leisure is to be well employed. For children of the middle classes education up to the age of 16 or 18 is accepted as a matter of course, not by any means solely with the idea of fitting them for their special working job, whatever it may be, which they commonly learn later, but in the belief that education up to that age is essential if the adult is to be able to make the best of life in its wider aspects. The consideration is just as valid for children who are going to do manual work.

Lessening the Pressure on the Labour Market. But the social argument is reinforced by the employment situation, which is in fact responsible for making the extension of the school age a question of practical politics. It may be said that unemployment among children leaving school is not serious; that statistics show that in many

countries it is more important in the ages 18-24; in fact, as we have shown in Part i, a large part of unemployment falls on those between the ages of 18-24. Would that unemployment be so severe if some part of the working population under that age were withdrawn from labour? On the point that there is little unemployment among young people between 14 and 16 in Great Britain, it may be remarked that school leavers were less numerous in 1929 to 1933 owing to lower birth-rate during the War. Until the closing of the gap between the school-leaving age and the entry into insurance there have been no satisfactory statistics of unemployment among children. It certainly exists in certain areas ¹ Recorded unemployment in the cotton industry among boys and girls between 16 and 18 has in some years been 20 per cent. In the areas of depressed industries the children may be forced into trades where they are almost certain to be subjected to intermittent unemployment, so that they cannot obtain real skill and the value of their work when they reach adult age is impaired. If the school age were raised to 16 it would be possible to make exceptions for indentured apprentices, who would be in fact receiving education, but blind-alley occupations would be prevented. The figures given on p. 62 seem to show that the situation of juveniles is better in Great Britain than in some other countries.

A further argument against the raising of the school age, sometimes advanced, is that the labour of boys and girls from 14 to 16 is in great demand in normal times. The same argument was put forward when school attendance was made compulsory and the labour of younger children prohibited. The truth appears to be that, if this cheap labour were not forthcoming, better organization in the trades concerned would, in many cases, make it unnecessary. Where this was not the case, older persons would be employed. Trade and industry have adapted themselves in the past to similar changes and will do so in the future.

One of the principles emphasized as being of special and urgent importance in Article 427 of the Treaty of Peace (the Article which defines the function of the International Labour Office as set up by the Treaty) was the abolition of child labour and the imposition of such limitations on the labour of young persons as would permit the continuation of their education and assure their proper physical development.

Present School-leaving Age. The age at which children may leave

¹ See an account of an investigation among school leavers in Lancashire in 1930-1 reported by Professor J. Jewkes, *The Mobility of Labour*, paper read before the Manchester Statistical Society, Feb. 8, 1933.

school and enter industry in most industrial countries is 14, though in many countries exemptions may be obtained on the ground of poverty or special necessity, and in some countries, if a given standard of proficiency has been reached. The age is higher in some countries where, for climatic or other reasons, the school year is short, or when the school age begins later.¹ Generally speaking, the school age fixes the date of entry into employment. There may be (especially in agricultural countries) some part-time before that age. Many countries have, under Factories and other Acts, regulations which fix a higher age for entry into dangerous occupations and into underground work in mines.²

Child Labour forbidden in United States. The greatest recent advance in the limitation of child labour has been made in the United States. There have been three attempts in the past to secure Federal control of the age at which children may enter industry. The fixing of that age would necessarily mean a corresponding modification in education arrangements. The last of these, before the present crisis—proposed in the 'Child Labour Amendment' to the Constitution of the United States—required the adherence of individual States. Between 1924 and the beginning of 1933 only six ratifications were received. Under the present administration the pace quickened, and at the end of 1933 there were twenty ratifications. The Roosevelt Administration, impressed by the urgent necessity of the limitation of juvenile employment, overrode the constitutional difficulty by inserting in the industrial codes a proviso forbidding the employment of children under 16, regardless of State boundaries. This regulation expires in 1935, but may be renewed. In the interval the supporters hope to secure the required minimum of thirty-six ratifications

¹ It is 15 in Scotland, in some Canadian provinces, in certain Swiss cantons, in Natal and Transvaal (for 'European' children), and in Uruguay. In some districts in Canada and Switzerland the age is 16. In Albania, Argentina, and France (a Bill passed the Chamber of Deputies, and was before the Senate in Feb. 1935 for raising the age to 14) the age is 13; in Greece, Hungary, Portugal, and Turkey 12, and in Yugoslavia 10. In Italy the general age is 12, but, where accommodation is available, 14; the age fixed for entry into industry is 12 years, but it has not hitherto been possible to enforce this in family businesses or in agriculture. The main difficulty is the paucity of school accommodation, which is being remedied as a preliminary to the raising of the school age. The Census of 1931 showed 21,900 boys and 9,980 girls between the ages of 6 and 9 gainfully occupied, most of them in agriculture. In the United States most States require attendance up to 16, with exemptions for those taking up employment if they have reached a certain standard. In the U.S.S.R. decrees fix the age at 15, but it has not yet been possible to enforce them because of the lack of accommodation.

² For details of exemption, &c., see *Unemployment among Young Persons*, prepared for the International Labour Conference of 1935.

required to make the Child Labour Amendment operative. In the meanwhile there are great variations in the education requirements of the various States.

Effect of Raising School Age in Great Britain. The raising of the school age by one year would probably reduce the number of entrants into employment in Great Britain by numbers ranging from 382,000 in 1936 to 315,000 in 1945.¹ It cannot be assumed that this reduction would mean an equivalent number of openings for older persons, but it would mean some considerable increase, even when allowance has been made for adaptations in industry and commerce for dispensing with the kind of work done by children

The reasons why States with heavy unemployment have not taken what appears to be an obvious step towards limiting the labour-supply are (1) the cost to the State and local authorities of making the necessary provision, and (2) the reluctance of parents who may themselves be unemployed and urgently need the child's earnings. It is probable that the raising of the school age might entail on the public authorities in Great Britain not only the cost of the extra school places, but, as in the case of the technical and secondary education provided for large numbers of children, a maintenance-grant for the children of poor parents. The school age has already been raised to 15 plus in eight administrative areas in England by local by-laws, and some other areas have made proposals in the same sense.

The Report of the Committee on Education and Industry (England and Wales) says:²

'Believing as we do that an extension of compulsory education on sound lines would be of great benefit to the country at large, we think it might ultimately be of economic as well as social advantage to face even a high expenditure upon it. In other words, no probable figure of cost, assuming that a satisfactory estimate could be made, would in our opinion be conclusive.'

¹ For the figures of births, and the proportion of children looking for jobs when they leave school at 14, on which these calculations are based, see the *Ministry of Labour Gazette*, Oct. 1934, p. 348. No allowance is made for emigration.

² 1926, p. 82. Lord Halifax has stated the cost of raising the school-leaving age to 15 at £8 millions. This, of course, makes no allowance for the saving to the Unemployment Fund through the check to the flow of labour into the overstocked market, or into the Junior Instruction Centres which are now being set up for the instruction of unemployed juvenile workers. See his speech in the House of Lords, Hansard, *Parliamentary Reports*, July 11, 1934. For a comprehensive discussion of the whole question see P.E.P. (Political and Economic Planning), *The Entrance to Industry* (May 1935, London).

3. *Old-age Pensions*

Another obvious way of lessening the pressure on the labour market is earlier retirement. There is some evidence that unemployment is high among the later age-groups, and it is probable that, with the speeding up of industry, older men, unaccustomed either to the new machinery or to the tools, are likely to fall out of work at a greater rate. Old-age pensions are by no means universal in all countries. In Great Britain retirement at 65 is encouraged by the payment of pensions to insured persons at that age. If it were possible to lower the limit to 60 a substantial number of persons would be able to retire earlier. The contributory insurance pension payable at 65 does not carry with it any obligation to cease work, and on the basis of the Census figures of 1931 it is estimated that of 740,000 pensioners some 255,000 men and 56,000 women were in employment. The P.E.P. (Political and Economic Planning) Group, who have investigated the question, conclude that in view of the heavy cost of putting the pensionable age earlier, the most practicable way of inducing retirement would be the grant of an additional payment conditional on retirement, so that single men and women would be able to look forward to a retirement pension at 65 of £1 and 15s. respectively and married couples to an income of £1 10s. when the husband reached the age of 65.¹ In recent years pensions have been given at an earlier date in Germany to officials, including teachers. No change has been made in the minimum age for recipients of old-age pensions, because of the stringency of the financial situation of the old-age insurance fund.

Only in two cases have devices for shortening the working life at either end been adopted with the avowed object of lessening pressure of unemployment in recent years. The first is the large-scale experiment in the United States, the second is in one or two of the Swiss cantons. The compulsory retirement from industry of persons in receipt of pensions is contemplated in Italy.

4. *The Elimination of Certain Classes of Workers*

Germany. Another method of reducing the total supply of labour has been adopted in Germany. Various local governments in Germany put strong pressure and in some cases issued definite instructions for the replacement of young men, who had not passed through the Labour Service, by older men with family responsibilities. The position was regularized by an Order of the President of the Institute for Employment Exchanges and Unemployment Insurance dated August 28, 1934. Replacement was put under the direct control of the President, i.e. in practice

¹ For the details see the P.E.P. report, *The Exit from Industry*, May 1935.

under the employment exchanges. Employers were required to examine the composition of their staff with a view to discovering whether it conformed as far as was reasonably possible with the national interest that preference in employment should be given to older men, especially to those with large families. Provision for appeal to the provincial authority in the event of difference of opinion between the employer and the employment exchange was made. As might have been expected, this proviso in fact limited substitution and might practically nullify the Order. Great difficulty occurred and the regulations had to be relaxed. The regulations were not to be so applied as to increase unemployment among young persons; it was intended that the younger workers displaced should be absorbed in Agricultural Aid (i.e. as farm workers) or in the Voluntary Labour Service, and, in the case of young women, in domestic service. But places in the Voluntary Labour Service are limited. In engaging new young workers priority must be given to those who have served in one of the organizations mentioned above; in engaging salaried workers preference must be given to men over 40 who have been unemployed for a long time, a State subsidy being available to make up for possible lack of efficiency.¹

This Order supplements earlier orders for the displacement of women, who have homes to which they can go, and orders forbidding double employment and the employment of young persons where there are persons in the family already employed. The disemployment of women was encouraged by marriage-subsidies conditional on quitting work. Herr Reinhardt stated in May 1934 that 250,000 marriage-loans would be granted in a year with a consequent lightening of the labour market. The demand on the fund proved excessive, but undoubtedly considerable displacement was secured by this means. The provisions with regard to marriage-loans were amended by an Act of January 24, 1935.² A limitation on the activity of women in future in professional and other occupations was secured by fixing the proportion of women admitted to the universities at 10 per cent of the 15,000 places available in 1934.³

In Italy the decree for an experiment in the forty-hours week (Oct. 11, 1934) was accompanied by a provision for the institution of an investigation into the possibilities of the replacement of women and young workers in industry by adult workers, in cases where the employment is suitable. The temporary substitution of men for women is to be considered in occupations in which, owing to the greater output of male labour, the change can be made without increasing costs.⁴ Administrative regulations

¹ See *Industrial and Labour Information*, Sept. 17, 1934, pp 336-8.

² *Industrial and Labour Information*, May 6, 1935, p. 189.

³ Under the National Socialist régime the number of total new entries to the Universities was limited for the first time.

⁴ There has been a marked diminution of female labour since 1900 in agriculture, industry, and commerce, but since the War there has been an increase in women workers among the middle classes. The problem is complicated by the existence of an excess of women over men in the total population, and by the fact that, as has been calculated, there are 1,000,000 women between the

under a Polish Act of Nov. 7, 1931, fix the percentage of young persons who may be employed in various occupations.

The increase in the number of married women in employment in the United States has led to discrimination by many State and municipal authorities against married women in making new appointments, in view of the prevalent unemployment among men.¹

The tendency to compel employed women to make way for unemployed men was raised by a women's deputation to the International Labour Conference in 1935. Miss Hesselgren (Government delegate, Sweden) introduced deputations representing three federations of women: The International Federation of Business and Professional Women, the International Federation of University Women, and the World's Young Women's Christian Association. One of the petitions submitted to the Conference was touching on dangerous ground, she said, when it asked for a regulation of married women's employment which would facilitate the return of mothers to their homes, and the prohibition of any replacement of male labour by female labour. That sounded very well, but it would only make the evil worse. Women worked for the same reason as men—to gain their living and that of their families. The present work of women in factories, in business, and in intellectual professions was as necessary to the community as was in former days their work in the home. No sharp line could be drawn nowadays between what was men's work and what was women's work. If women were excluded from regular and better paid work, they would drift into other channels of underpaid work and be an easy prey to all sorts of underbidding. The present tendency to restrict women's opportunities to work and themselves to choose the manner of their work was a real danger not only to the women themselves, but to the community as a whole.²

ages of 30 and 65 who, if they did not earn their own living, would either become a charge upon the public or else a weight upon the shoulders of their relatives. (Rome Correspondent of *The Times*, Dec 14, 1934.)

¹ For a statement on the position of married women, especially in education, in the United States see *Industrial and Labour Information*, May 13, 1935, pp. 223-6.

² *Industrial and Labour Information*, June 17, 1935, p. 394.

CHAPTER VII

THE SPREADING OF WORK

1. *Double-shift System*

THE adoption of a shorter working week implies in general an increase in the cost per unit of production on the equipment side, unless some counteracting factor is introduced. The counteracting factor may be sought in increased efficiency of organization or in the speeding-up of work, which involves many practical difficulties indicated on a later page. Therefore other methods of spreading work have been sought, in particular the double-shift system and various forms of rotation. The double-shift system means shorter work-periods for the individual worker, but longer operation of machinery, and consequently greater production; it requires an increased demand for the product unless the scrapping of machinery is contemplated. Rotation is an emergency measure for times of low demand, and ordinarily contemplates no change in the hours of operation of the machinery (and consequently in machine costs) but a rationing of human labour, accompanied by lower earnings, the reduction of which must be compensated by unemployment insurance payments or in some other way.

Great Britain. Professor Sargant Florence and Dr. H. M. Vernon in Great Britain have advocated the adoption of the shift system and have made extensive inquiries among workers as to their attitude towards the system. As the proportion of fixed overhead charges tends to rise in all industries the two-shift system appears to have a considerable future.

‘In time of depression shift-working reduces fixed overhead costs and thus provides a margin of gross profit from which to maintain wages and, if necessary, to reduce prices so as to sell the increased output from the additional men employed. This reduction of fixed overhead charges per unit of output is no less advantageous in prosperous times. The hours of work of labour can be continuously reduced while maintaining earnings, without reducing the productivity of capital. Thus the policy of multiple shifts is not a temporary makeshift, but one to which all parties in industrial society should become accustomed.’¹

The workers’ objection to the policy is mainly concentrated on the

¹ Professor Florence, at the League of Nations Union Conference in London in 1934. Certain restrictions were imposed in Great Britain in 1920 in the case of women workers. Macartney (C. A.), *Hours of Work and Employment*, League of Nations Union, 1934.

disorganization of home life and on the different distribution of leisure.¹ The main economic disadvantage is perhaps the lessened efficiency commonly noted in night-work. The two-shift system has its greater advantages in industries where long hours are worked. The Report of H.M. Chief Inspector of Factories and Workshops in Great Britain states that with the revival of trade in 1933 the employment of women and young persons was extended in certain factories up to the full legal limit instead of the customary 47 to 48 hours. Increased use was made of the two-shift system under Section 2 of the Women Young Persons and Children Act of 1920, under which women and persons over 16 may be employed in two shifts between 6 a.m. and 10 p.m. A joint application by employers and workers has to be made in each case. The Report states that the two-shift system is often an alternative to exceedingly long hours, and may provide the necessary elasticity of working, especially in the textile and hosiery trades. The number of orders made in 1933 was 318 as against 293 in 1932. In a considerable number of cases applications were not forwarded because the workers' consent could not be obtained. Two applications were refused by the Home Secretary because inquiry showed that the consent of the workers had been twice refused and had eventually been obtained only under threat of dismissal. The report of the committee appointed by the British Government to inquire into the condition of the cotton industry (Cmd. 3615 of 1930) states that the Committee 'received important evidence that automatic looms could not be worked economically on a single shift per day. On the basis of the experience of the two-shift system in industry at large, the Home Office Committee on the two-shift system recommended in their report issued in 1935 the continuance of the system. Its adoption reduces the working week from the usual 47 or 48 hours to 41 hours, and it could without difficulty be reduced to 40 hours. Owing to the plant being run so many more hours a week than usual the overhead charges are diminished and it is usually possible to pay the same wages as for the longer working week. A questionnaire addressed by the Committee to all the factories (759 in all) reported to be working the system at the present time yielded 526 replies, and they indicated that in both textile and non-textile industries the majority of the workers had their wages fully made up to the normal level.²

¹ For an exhaustive discussion of the advantages and disadvantages from the point of view of the lives of the workers see International Association for Social Progress: *Report of the British Section on New Aspects of the Problem of Work* (1934, London).

² Dr. H. M. Vernon, *The Times*, June 18, 1935.

2. *Rotation Systems*

United States. The general method of a rotation system may be illustrated from the practice of the Standard Oil Company of New Jersey, which introduced the forty-hour week in July 1932 for the whole of its staff employed in the United States. The reduction was first put into effect when a loss of business due to the depression threatened wholesale discharges, and was finally extended to take in salaried employees and other workers even where there was no over-supply of labour. Under the new plan the working week has been reduced from six to five days, but difficulties were met in making the application of the five-day week general, since in some manufacturing operations work is continuous. In the refineries this work was previously carried out by three shifts of workers each working six spells in the week, or a total of eighteen spells per week. The remaining three spells were worked by an additional worker. Now the management has introduced an additional worker, so that the four workers each work five spells in the week, or twenty spells per week, and the twenty-first spell is worked by a man who during the four remaining days of the week is employed as a helper.¹

As a result of the Company's endeavours to keep on workers by reducing the hours of work in their various departments and subsidiary undertakings, jobs were found for 2,900 workers, representing 9 per cent. of the total number on the Company's pay-sheets in the United States. Workers on time-rates were paid on the same basis of time as before. Salaried employees on a monthly basis who worked to a five-and-a-half-day schedule had their salaries reduced by one-eleventh. The same reduction was put into effect with respect to the higher-paid officials and the management, although from the responsible nature of their work it was impossible to limit it to five days

¹ The following schedule is a typical example of the manner in which work may be distributed among the different workers.

A, B, C, and D are the permanent workers, and E is a helper four days in the week and replaces a regular worker on one day a week in turn:

TABLE LXXXVII

	<i>1st week</i> <i>T.W.Th.F.S.S.M.</i>	<i>2nd week</i> <i>T.W.Th.F.S.S.M.</i>	<i>3rd week</i> <i>T.W.Th.F.S.S.M.</i>
From 7 a.m. to 3 p.m.	A A A A A B B	B B B C C C C	C D D D D D (E)
From 3 p.m. to 11 p.m.	C D D D D D (E)	A A A A A B B	B B B C C C C
From 11 p.m. to 7 a.m.	B B B C C C C	C D D D D D (E)	A A A A A B B

a week. Any further reduction of hours will be accompanied by a corresponding fall in pay.¹

German Systems. The Krumper system of rotation adopted in some German works consists in having at the disposal of the undertaking more staff than is actually needed and in suspending a specified proportion—one-quarter to one-tenth—in rotation for a period of a week to a month. While the workers are laid off they receive unemployment benefit at a reduced rate. The Government endorsed this system by agreeing to the payment of unemployment benefit on these lines. A system of this kind relieves the employer of extra overhead charges, and the shortening of time is borne partly by the unemployment fund and partly by the worker, who suffers by losing a margin between reduced unemployment benefit and wages. It has been widely applied in the Silesian coal industry. The pressure put on German employers to avoid dismissals and to spread work and on German workers to accept part-time employment has led to the adoption of many special schemes, and it has been linked up in some districts with suburban settlement. A man works so many days a week in the factory and the remainder on building his house and preparing his allotment. In some cases the employer provides the land and the Government subsidizes building. In a Siemens scheme of this kind it is calculated that the worker on short time pays at most 16 or 17 marks a month for his dwelling instead of a city rent of at least 37 marks.²

Organized Short Time. In Great Britain organized short time is regularly practised in the coal and cotton industries, so arranged that the workers laid off are enabled to avail themselves of unemployment benefit.

Italy. In Italy pressure is now being put on large undertakings to adopt a system of rotation very much on the lines of the Krumper system. The Fiat works at Lingetto have a method for the stabilization of employment which is really a method of organized short time. There are no statistics showing organized short time over the whole of Italian industry, but in the textile industry (except silk-spinning) it is very considerable.

Effects of Spreading Work. These experiments in distributing work

¹ International Labour Office: *Hours of Work and Unemployment* (1933, Geneva), pp. 81-2. A detailed description of shift and rotation systems in practice in the glass-bottle industry (automatic machines) in various countries is given in International Labour Office, *Reduction of Hours of Work*, vol. 17: *Glass-Bottle Manufacture* (1935, Geneva), pp. 47-56.

² 'The Reduction of the Working Week in Germany', *International Labour Review*, June 1934, p. 777 (Geneva).

available at any given moment among a larger number of persons than those formerly employed on the same amount of work do not necessarily increase the returns from industry out of which wages are paid, and the amount of unemployment, measured in hours, remains the same. What it does do is to spread the disabilities resulting from unemployment over the whole body of workers concerned, making each man take his share. It has been undertaken by many employers during depression with a view to avoiding dismissals, and maintaining the labour force in being for any particular industry. The controversy has been summed up by a writer in *The Economist* as follows:

‘In a world where full employment is regarded as more desirable than the attainment of the highest possible real income per head, “work-sharing” may possibly result in a temporary net gain of economic welfare. It is probable that the coalminers’ work-sharing schemes introduced in Durham and South Wales have been, on balance, beneficial. The dangers of such schemes, however, are many and serious. In the first place, they may actually retard the transfer of labour from a decaying industry. Secondly, if the hours of those at work are to be reduced, either their wages must be reduced also, or costs will be increased. To raise costs in the most distressed industries at a time of depression is hardly likely to increase employment; while a reduction in the wages of those employed would simply mean that the burden of providing for the unemployed would be shifted from the taxpayer to the wage-earner. In any case, work-sharing must be regarded as a palliative and not a cure for depression.’¹

¹ *The Economist*, June 2, 1934, p. 1178.

CHAPTER VIII

SHORTER HOURS

1. *Case for Shorter Hours*

THE principal device advocated, and in some countries adopted, for reducing the total supply of labour to bring it into closer relation with demand has been the shortening of working hours. Here, again, as in the proposals for the prolongation of school life, there are social and psychological reasons which make shorter hours desirable, especially if widening opportunities for education and for general culture are taken into consideration. There has yet been no universal acceptance of the 8-hour day, 48-hour week proposal,¹ and it is probable that the more drastic proposal now urged by the International Labour Office for a 40-hour week would have had no prospect of acceptance on social grounds alone, though progress may be made under the pressure of unemployment.

Advantages. The advantages of shorter hours are mainly due to

- (1) The undoubted fatigue in certain occupations even where the 48-hour week has been adopted, with ill effects on the physical and mental make-up of the worker
- (2) The risk of accident and of damage to machinery caused by fatigue.
- (3) The difficulty of speeding up output where long hours are worked
- (4) The leisure afforded to the worker for family life, for physical exercise, for entertainment, and for attaining the higher cultural standard which is essential to the good working of democratic institutions.
- (5) The possible increase of efficiency, i.e. the increase in output per hour which may be attained in a shorter working day.²

In so far as the last-named consideration is operative, it appears that the lessening of working hours would not mean a corresponding increase in the number of workers employed.

Difficulties. The difficulties in the way of adopting shorter hours are substantial. Can the reduction be made without a diminution of income which more than counter-balances the advantages? The 'Brave New World' of leisure has its bravery considerably obscured if the leisure is occupied by anxiety as to how to make ends meet.

¹ For a brief account of the position with regard to the 48-hour week see Appendix XVI.

² See below, p. 352.

There are many persons who hold that there should be no restriction on production so long as large sections of the population have not much more than a bare subsistence. This opinion involves large questions of distribution which cannot be discussed here.¹ It also makes the assumption that production will necessarily fall with shorter hours, an assumption which may be true in certain trades but leaves out of account elements of increased efficiency which might be brought into operation with a shorter working-day, and the possibilities of the two-shift system.² An immediate difficulty in reducing hours is the diminution of competitive power if the principle is not universally accepted.

'Part of our problem', said Dr. Temple, Archbishop of York, in an address to the York Rotary Club (Jan. 11, 1935), 'is converting unemployment into leisure. Whether that can be done by one nation alone, I am at least very doubtful. It is no use distributing work and shortening hours, and so absorbing more people, if at the same time you curtail their rate of wages. That seems like limiting the real standard of human life, and does not help things forward. If you are going to distribute work while maintaining the level of wages, you are going to raise the cost of production, and you cannot do that, as far as I can see, except on the basis of international agreement.'

2. *Discussions at International Labour Office*

The Forty-Hour Week. The question of the shortening of hours with a view to reducing unemployment was raised in 1929 by the

¹ It has been argued that if wages are maintained for a shorter week, then, unless there is an increase in output or a substitution of machinery for labour (both of which defeat the object in view), the additional wage-payments must come out of profits or out of increased prices to the consumer. If profits permit a reduction, there is a redistribution of income between the employing and the employed classes; either the savings or the personal expenditure of the employers will be reduced, with corresponding reductions in employment; the addition to wages in payments to the additional employees will probably go in only a small proportion to savings and will mainly be spent on personal consumption in directions different from the previous consumption of the employers. There will thus be a stimulus to employment in certain directions as a result of shorter hours and a stimulus to unemployment in other directions.

If wages and profits are maintained and prices raised, the general result will be that consumers will reduce their expenditure on commodities for which their demand is elastic, and a falling-off in employment in the production of this kind must ensue. But when hours are reduced in trades working for the production of goods for personal consumption the additional spending-power of the additional workers will be largely concentrated on the goods produced in those trades. After a preliminary rise in prices, more workers will be taken on and more goods produced, and the higher rate of output may well offset the increment of wage-cost and bring back prices to their original level. On the whole, however, the rate at which capital equipment and replacement go on would tend to slow down with smaller accumulations of capital.

² See pp. 352-8 below.

workers' representatives at the Unemployment Committee of the Governing Body of the International Labour Office, and has been discussed in subsequent years.¹ The Jouhaux resolution adopted at the Conference of 1932 urged that unemployment, in the first place an effect of the depression, had become one of the causes aggravating it. The disequilibrium between increasing production and a steadily diminishing effective demand made any policy of wage-reduction as uneconomic as it was unjust. The principal means of restoring the lost equilibrium, due in part to the increase in individual output, should logically be sought in a reduction of the hours of work and the consequent spreading out of work over a larger number of workers, and a fairer distribution as between capital and labour of the benefits accruing from the increased productivity of industry. The resolutions concluded by inviting the Office to investigate the question of the legal institution of the 40-hour week by international agreement.

Proposal by M. de Michelis. On July 25, 1932, M. de Michelis, the Italian Government representative on the Governing Body of the International Labour Office, made a formal request for a special session of the International Labour Office to be convened to draw up proposals before the meeting of the World Monetary and Economic Conference. At this special session it was decided that a Tripartite Preparatory Conference (which sat from January 10 to January 25, 1933) should study the problem. The argument for the reduction of hours was briefly put by a Government delegate: 'When food is scarce we ration it. On the same principle why not ration employment in periods of depression?' The general argument put by an employers' delegate, who himself held other views, was:

'If you effect a general and compulsory limitation of individual working hours to 40 per week, you will reduce the number of unemployed, you will

¹ A proposal to constitute a committee of inquiry with a view to the adoption of a convention met with no support from the employers' representatives. But at the International Labour Conference of 1931, Albert Thomas suggested international agreement on the reduction of the working-day in certain technically advanced industries. In October the workers' Group on the Governing Body suggested the holding of a tripartite conference, which was rejected; but a resolution was adopted unanimously to call a meeting of the Unemployment Committee to discuss the question. That Committee met in December-January 1931-2, and suggested the abolition of overtime and the consideration of the feasibility of a basic forty-hour week. The Director was asked to consider in what industries provisional international agreement on this basis was possible and to cause investigations to be made on the permanent reduction of hours in technically advanced industries. The proposals were extended in March-April 1932 to salaried employees. At the International Labour Conference of 1932 a reasoned resolution submitted by M. Jouhaux was adopted by 48 votes to 37.

give them work and the possibility of earning a livelihood, you will increase their purchasing power and thus help to abolish the disequilibrium between production and consumption which is at the root of the depression.'¹

It soon became clear that there was more to be said upon the subject which could not be expressed quite so simply

¹ All the workers' delegates and some Government representatives agreed that a reduction of hours was one of the means likely to counteract unemployment, all the employers' representatives thought otherwise. The employers' strongest objection was that the decrease in productivity, or the increase of 20 per cent. in the total wage-bill, which would be necessary for a corresponding increase of staff, would be a further incentive to hastening the process of mechanization and reducing labour. That is to say that industry might accommodate itself to the new conditions, if they were realized, not by taking on more labour, but by increasing mechanical aids to labour. Failing the institution of a complicated rotation system, overhead charges for idle plant would be excessive in many industries.

It was not maintained by the advocates of the proposal that reduction of hours alone would prove effective against unemployment, the general remedies for which were to be sought in the wider field which was to be covered by the forthcoming World Economic and Monetary Conference. The essential thing was not to redistribute the present volume of employment but to create fresh employment. Reduction of hours, taken by itself, might merely lead to a general reduction in the standard of living. The resolution finally adopted in favour of international agreement for reduction of hours was safeguarded in this sense.

Draft Convention. At the International Labour Conference in June 1933 it was eventually decided that the reduction of hours of work might be usefully embodied in a Draft Convention or Recommendation. Another vote resulted in a decision against emergency procedure. A third vote proposed that the subject should be referred to a committee with a view to further consideration and decision in 1934. The reply of the British Government to the formal proposal for a Convention for a 40-hour week was published in a White Paper in May 1934. The note does not suggest that the present level of hours will necessarily remain the standard indefinitely but suggests that the proper approach is industry by industry.² The Ministry of Labour, in fact, in January 1935 instituted conversations with employers on the possibility of shortening working-hours.

¹ *International Labour Review*, March 1933, p. 306.

² For the success with which the shorter week has been adopted in certain British industries offering favourable conditions see below, p. 357.

The hours question cannot be approached independently of wages, and in countries where there is no strong trade-union movement reduction of wages would follow and would probably intensify international competition. When proposals for a 40-hour week were brought up at the Conference in June 1934 the employers, with the exception of the Italian representatives, failed to nominate members of the Committee appointed to report on the drafts prepared by the Office. Failure to obtain a quorum in the plenary session made it impossible to adopt a Convention.¹

Progress by Industries. Progress was, however, made in the Committee dealing with a proposed convention for the international regulation of hours of work in coal-mines.² When the proposed Draft Convention on the 40-hour week was considered by the Governing Body of the International Labour Organization in January 1935 the Office suggested four industries as most suitable for immediate application of a 40-hour week—public works, undertaken or subsidized by Governments, building and contracting, iron and steel, glass-bottle manufacture, and coal-mining. The Conference of June 1935 adopted a Draft Convention approving the principle of a 40-hour week applied in such a manner that the standard of living is not reduced in consequence. The States ratifying the Convention will be under no obligation to apply the 40-hour week unless and until they ratify the separate Conventions applying the principle to particular industries. The International Labour Office regard the acceptance of the principle as superseding the standard of the 48-hour week, the attainment of which was one of the original objects of the Organization.

The impetus to the adoption of shorter hours is, of course, closely bound up with the population question. One of the reasons brought forward against any attempt to introduce the 40-hour week into France, as stated at a meeting of Presidents of Chambers of Commerce on November 6, 1934, was that owing to the inadequacy of the population such an attempt would in normal times 'place the whole economic life of France under a serious disadvantage as against its foreign competitors'.³

¹ 'The Eighteenth Session of the International Labour Conference' in *International Labour Review*, Sept. 1934.

² See Appendix XVII.

³ International Labour Office: *Industrial and Labour Information* (Nov. 26, 1934, Geneva), p. 278. Nevertheless under various French decrees aiming at the relief of the labour market passed in 1934 the provisions of the 8-hour regulations allowing for overtime are suspended in specific branches of the textile, metal and engineering, and leather industries for specified periods. Hours of work have also been restricted in constructional industries and public

3. *Wages and Productivity in Relation to Shorter Hours*

Wages. The 40-hour week, accompanied by a corresponding fall in wages, is, therefore, in the main a method of compelling the worker in full employment to take his share of a prevalent unemployment. That is not what was desired by the workers in proposing the 40-hour week as a remedy for unemployment. One of their arguments was that shorter hours, enabling the spreading of employment over more persons, *if paid for at the same weekly rate* as the earlier, longer working hours, would increase purchasing-power and thus stimulate production and consequently increase employment. There is a flaw in this argument. What the increase of wages would do—for shorter hours at the same weekly rate are in fact an increase in labour costs, unless compensated by a proportionate increase in output per hour per worker (always provided that the undertaking is able to carry on at all)—would be to redistribute purchasing-power more in favour of the workers. This in itself may be desirable. It is, however, important to distinguish between redistribution of this kind—which cannot be carried very far in a period of depression, since industry under those circumstances is generally working very close to the maximum costs permissible with continuance—and a rise in wages based on expanding production and increasing demand. The former might very well result in greatly increased unemployment, while the second—which would not exclude a certain redistribution of the balance of purchasing-power—has more likelihood of permanence.¹

Productivity. The economic, apart from the social, case for the shorter working week ultimately rests on the question of the increased productivity which may be feasible per man-hour. A shorter week might result in a further application of the processes of mechanization and of rationalization. It becomes necessary when speeding-up exceeds certain limits. If, then, productivity per unit of labour continues to rise, the reward of labour per hour might be increased considerably. But the redistribution of hours would probably have to be sought not by any rotation schemes, which are almost necessarily wasteful to some extent, but by a number of shorter shifts. The more complicated the machinery in use the more costly it is; the urgency of practically continuous running of plant increases with

works, and by a decree of Nov. 29, 1934, the Minister of Labour has power to restrict working-hours in the clothing trades. *Ministry of Labour Gazette*, Dec. 1934, p. 443.

¹ See the discussion at the League of Nations Union Conference on Hours of Labour in London, 1934. *Hours of Work and Employment* (1934, League of Nations Union, London).

the increasing ratio which the costs of that equipment bear in the price of the finished product.

Overtime. There is a strong case for more stringent regulation of overtime. One of the difficulties in the acceptance of the Washington Convention (48 hours) was the possibility that its provisions might be nullified by unregulated overtime. Where overtime is occasional and due to special emergencies it can hardly be ruled out. But if the emergencies are recurrent and frequent there is a case for an increase of staff, even if occasional lay-offs are involved. The increase is simpler where there is a system of unemployment insurance, because the laying-off does not involve the same hardships. The avoidance of overtime is therefore to a large extent a matter of organization. The existence of considerable overtime and of considerable total unemployment in the same industry at the same time cannot be regarded with equanimity.

4. *Holidays with Pay. Leisure*

Great Britain. Another proposal which would involve the taking on of a percentage of additional workers is a regular holiday of one fortnight in the year for all workers regularly employed. A holiday of this duration, with pay, is already the rule in many non-manual occupations. A holiday of one week, usually without pay, is common in Great Britain in many manual occupations ¹ It has been suggested that if the charge of an annual fortnight's holiday for workers cannot be borne by industry, State assistance in some form should be provided, and the holiday period should not be recorded as unemployment. In fact an annual week's holiday is frequently borne by the Unemployment Insurance Fund, and the holiday makers figure as unemployed. A fortnight's holiday all round would materially affect unemployment, and the social arguments in its favour are very strong.

Europe In Europe in 1926 about 19 million workers—some 40 per cent. of all workers—were receiving annual paid holidays in virtue either of legislation or of collective agreements. Fourteen States have adopted schemes applying to both manual workers and salaried employees in commercial and industrial undertakings; five others have legislation for either manual workers or salaried employees alone, and still others have passed special Acts applying to various

¹ For particulars of holidays with pay in certain London industries see Llewelyn Smith (Sir H.), *New Survey of London Life and Labour* (1933-5, London). It is estimated (vol. viii, p. 30) that rather more than half the occupied population of London are engaged in industries in which an annual holiday with pay is customary.

classes of workers. The obligation of holidays with pay is universal in the U.S.S.R.

In 1926 collective wage-agreements (*Tarifverträge*) covering 95 per cent. of the German workers contained stipulations for yearly holidays with pay. Juveniles were specially favoured in that respect.¹ Special arrangements have recently been made for holidays, apparently without pay, for attending camps and other courses²

Organization of Leisure Time. If and when the shorter working-day becomes a reality the question of leisure assumes new importance. The British Section of the International Association of Social Progress has published³ some details of how British working people spend the leisure they at present have. A Liverpool inquiry showed that when work, journeys to and fro, meals, and sleep were accounted for, there remained 35 hours a week for men and 30 for women to be spent in 'leisure'. A general study for the whole country indicates that, of the 35 hours, little more than one-tenth of an hour per week is spent in educational institutions. The Liverpool selected sample showed a much higher figure. Leisure is a commodity purchased by work; there comes a moment when more leisure may be preferred to more wages. This only happens in a period of rising, not of falling, wages. This was the case in England in 1919-20. Wages had risen; and no general reduction of hours had taken place. The demand was for shorter hours, not for higher wages, and hours were in fact reduced. The demand for more leisure will only be urgently pressed by the workers when the standard of living is reasonably high and technical and economic organization is sufficiently good for that standard not to be endangered.

5. *Effect of Shorter Hours on Efficiency*

Effect of Introduction of the 48-hour Week. The decision in favour of permanently shortened hours will obviously be affected by the evidence as to whether shorter hours are accompanied by an increase in efficiency. The most extensive data available at present are the labour results before and after the general extension in Europe of the 8-hour day which followed the War, and the more recent examples

¹ Thomas (Albert), 'Internationale Arbeiterschutzgesetzgebung', in *Handwörterbuch der Staatswissenschaften*, Ergänzungsband. For more recent developments see *Industrial and Labour Information* (Feb. 18, 1935, Geneva), p. 201.

² The question of holidays with pay has been placed on the Agenda of the International Labour Conference for 1936, and the Office have issued collected information on the subject (International Labour Conference, 19th Session Report, v, 1935).

³ *New Aspects of the Problem of Work*, already cited.

of Japanese reductions in hours. Even these data do not offer conclusive evidence, since the effects of fatigue are cumulative, and results due to a lessening of fatigue on the abandonment of an 11-hour day may be much less on a transfer from an 8-hour day. Moreover, certain industries in many countries, in adopting the 8-hour day, changed over at the same time to payment by piecework. Piecework payment is in itself an incentive to greater effort, and increased output in those industries might be due to that incentive and not to other factors. In the other direction—of under-estimating the results of the changes made after the War—there is the consideration that the 8-hour day was generally introduced at a period when there was a widespread disinclination to work owing to the strain of the War years, and when the working population over wide areas in Russia and in central Europe was underfed and debilitated.

The economic advantages of the 48-hour week over longer hours were in fact proved before the War. Output was shown to be maintained or increased, writes Professor Sargant Florence,¹ when hours were reduced to this point in such widely different plants as the Scotia Engineering Works, Sunderland, about 1891; Mather and Platt's iron works, Salford, in 1893; the British War Office and Admiralty Workshops in 1894; the Zeiss Optical Works in Germany in 1899-1900,² the Engis Chemical Works near Liège in 1905; the Commonwealth Steel Company, Granite City, U.S.A., in 1911, and other cases.

Effect of Long Hours in War Time. The uneconomic character of excessively long hours was proved by the investigators of the health of munitions workers during the War. They found that a condition of staleness was caused by persistent long hours and the deprivation of weekly rest. The most intelligent and willing of them said that they felt 'done up' or 'fair whacked', to use local phrases, and the condition found expression sometimes in lethargy, but sometimes in a craving for change and excitement and a desire for alcohol. On the question of extra Sunday work by exhausted men, one foreman said he did not believe in a 'holiday on double pay'! Another remarked that Sunday work gave 'six days' output for seven days' work on eight days' pay'.³ Women engaged in turning aluminium fuse-bodies in a British factory increased their daily output by 11 per cent. when

¹ 'The 48-Hour Week and Industrial Efficiency', *International Labour Review* (Nov. 1924, Geneva).

² For an account of this and some other experiments see E. Milhaud, 'The 8-Hour Day and the Human Factors in Production', in *International Labour Review* (Feb. 1926, Geneva).

³ *Final Report of the Health of Munition Workers Committee*, 1918, p. 19.

their hours were reduced from 66.2 to 54.8 per week; and when their hours were further reduced to 45.6 there was a fall of only 2 per cent. in output.¹

Effect of Shorter Hours in Japan. More recent evidence of the improvement in output due to the shortening of excessive hours is provided by Japanese experience. The figures given are not due, however, to shorter hours alone, but mainly, perhaps, to the parallel progress made in mechanization and rationalization. But the evidence does show that shorter hours are, under given conditions, compatible with greatly increased output in large Japanese undertakings.²

TABLE LXXXVIII

Japan. Output in Relation to Working Hours

Year	Weaving		Cotton spinning		Silk spinning	
	Hours of work	Production per head	Hours of work	Production per head	Hours of work	Production per head
		(100 yds.)		(Bales)		(Kwan)
1926	11	22	11	14	12	23
1931	8½	49	8½	20	10	27
1932	8½	50	8½	22	10	31

Even allowing for more looms and spindles per worker these results are very remarkable.

Differing reactions. In any one industry a great variety in the kind of work is involved, and the shortening of the working day may affect different classes of workers in different degree. The foreman, the cranesman, the draughtsman, the inspector, the worker on the conveyor line, the bench-hand—all may have different reactions to change of hours in a given factory. In semi-automatic processes, where the machine sets the pace more or less, there appears to be only a small drop in production or none at all in the last hour of an 8-hour day. Where heavy muscular work is required output has been found to fall steeply in a 10-hour working day until the last hour's average may be 35 per cent. below the maximum output. In work of the dexterous hand type—in cutting out the uppers of shoes from skins—a reduction from 50.9 to 47.4 hours per week resulted in an increase of 14 per cent. in the hourly rate of production; even in pure machine-tending work there is some loss in long hours; it is asserted that loom

¹ Cited by Professor Sargant Florence, loc. cit.

² Maurette (F.), *Social Aspects of Industrial Development in Japan* (1934, International Labour Office, Geneva), p. 26.

stoppages are more frequent later in the day than in the morning¹ Apart from the question of increased output observable in certain, but not all, operations under reasonable hours, there appear to be certain other advantages which might even outweigh a small diminution in output—the maintenance of an average load of work throughout the working day, less lost time, fewer accidents, and less spoiled work.

The Fatigue Factor. Investigations into certain British industries in 1924² resulted in some important findings not only on the effect of shorter hours, but of the distribution of working time and the effect of rest-pauses. In the iron and steel trades, 'within the limits observed', reduced hours generally brought increasing output per hour, though the total output per shift was less. The effect was not immediately apparent. 'It may take from two to thirteen months after the reduction of hours before the increasing output attains a steady lead.' They called attention to the waste involved in the long 16-hour shift then worked by blast furnacemen every third week, which must induce a state of over-fatigue and cause loss of efficiency. In the laundry trade it was found that fatigue was greater at the end of the 10-hour day than at the end of the 9-hour day, and some evidence was adduced that short pauses of 10 or 15 minutes in the middle of the long 5-hour spell are not only beneficial to the worker, but tend to increase output. Some interesting comments on the effect of rest-pauses in the boot and shoe industry showed that in certain cases longer repeated pauses were economically justified, even at the cost of engaging additional labour.

'In the press-room in one factory, a system was introduced on an experimental basis under which double presses were worked with a team of three girls, each operative working 40 minutes in each hour and resting 20 minutes, instead of the usual method of employing two girls continuously throughout the day. An increase in output immediately resulted, ranging from 34 to 75 per cent. and averaging 44 per cent. over the six presses concerned. The experiment involved, of course, the employment of 50 per cent. additional workers, but it is of interest, not only in illustrating the effects of rest-pauses but also practically in indicating a method whereby output can be increased without incurring the expense of purchasing new machines.'³

'In bottle making it was found that the relative hourly efficiency (both

These examples are cited from the article by Professor Sargant Florence mentioned above.

² Industrial Fatigue Research Board: *Results of Investigation in Certain Industries*, Report No. 27 (1924, London, H.M.S.O.).

³ *Ibid.*, p. 10.

by hand and on semi-automatic machines) appears to have been increased by shortening the shift from 10 hours to 8 hours, though this increase is not in itself sufficient to bring the output of the shorter shift up to that of the longer. In a continuous process of this kind, however, hourly output rather than shift output is the important factor in regard to production. Here the advantage is clearly with the shorter shift, and in this instance becomes still more pronounced, since on the longer shift work was carried on during only 20 out of 24 hours.

'Some information is given as to the comparative efficiency of the shifts. On the three-shift system the night shift is always more efficient than the morning shift and not much less efficient than the afternoon shift. Under the system, however, in which 12 of the 24 hours are spent in alternate 6-hour shifts, the night shifts are consistently less efficient than the day shifts.'¹

On repetitive work in various industries the introduction of a rest-pause in the middle of the morning and afternoon spells was found eventually to increase output, though the effect was not always apparent until after the lapse of some months.

On the 5- instead of the 5½-day week common in many British industries some evidence is available that Saturday morning work tends to be less efficient than that on the full working days, probably for purely psychological reasons.²

Other Considerations. The hours worked, the distribution of those hours over the working week, and the use of rest-pauses only refer to one aspect of industrial conditions affecting the efficiency of the worker. Many other factors enter into the question: the provision of floor-spacing, lighting, ventilation, the right degree of heat, humidity, seating, the most economical 'routing' of work, the presence or absence of friction in management, and many other considerations affect efficiency. Thus it is difficult to isolate the effects of shorter working hours on efficiency generally, on output, and on the health of the workers. When shorter hours are agreed on, other measures may be, and often are, taken simultaneously in order to prevent diminution of output. The experience of individual firms in shortening hours is not conclusive unless changes in other conditions of work are known and allowed for.

Moreover, the effect of shorter hours on output depends on the kind of work involved, on whether it is the man or the machine that sets the pace. In skilled work where the human factor is the most

¹ Industrial Fatigue Research Board, *Results of Investigation in Certain Industries*, Report No. 27 (1924, London, H.M.S O.), p. 12.

² For fuller information on the points raised see the special Reports of the Board on individual industries.

important the elimination of fatigue is obviously likely to increase output. It is also important to remember that changes of all kinds may induce temporary speeding up which may not last when the worker has adapted himself to the new conditions; on the other hand the reaction in the form of an increased degree of effort may be delayed. Again, if shorter hours are accompanied by speeding-up, the fatigue caused by intensified work may be as great or greater than that caused by slower work over a longer period, and the advantages hoped for from the elimination of fatigue may not be realized. Fatigue itself is cumulative, and its full effects will only be shown after an interval.

The assessment of the effect which may be expected to result from shorter hours is therefore far from being a simple mathematical calculation, and the various conditions outlined above must be borne in mind in considering some interesting experiments in the past and in our own time. In considering the evidence in any individual factory it is important to know whether there is at the same time any change in incentives (the introduction of piece-work or other changes); any change in the distribution of hours or additional rest-pauses; any changes in factory routine; at what date after the change to shorter hours the observations are made. With these reservations some examples may be given of recent reductions of hours below the 44-hour limit. Unfortunately both relate to light industry and do not therefore illuminate the whole field. Data on the effect of the shorter working week in America and elsewhere over a large range of industries are not yet forthcoming.

Some British Experiments. In 1919 certain firms in the cocoa and chocolate industry reduced hours from 48 to 44 per week, when about 70 per cent of the male workers and 80 per cent. of the female workers were working on some form of payment by result. No change was made in either the piece-rate or the weekly wage of day workers. In 1934 they were working 44 hours in 5 days in the factory, and work stopped at 5 o'clock on Friday afternoon until 7 30 on Monday morning. Office hours were 39 per week. The observed results have been that after a short transition period, the output in 44 hours was not substantially less than in 48, nor the cost of production increased to any significant extent, that there was a definite improvement in the health of workers, and the average percentage of working-hours lost was halved, principally as a result of this improvement. There are special circumstances to explain these results. Piece-workers, knowing they were to work shorter hours, gradually increased the pace, and the day workers, being mainly servers to the piece-workers, had to follow their pace. The amount of machinery used is small relatively to the number of workers; most of it is light automatic machinery served by

workers who can increase its output. In commenting on these circumstances Mr. Seeböhm Rowntree says that 'in factories where heavy machinery is employed on processes requiring little human attention, a reduction in hours would almost inevitably lead to a proportionate reduction in output. On the other hand, an increase in hourly wage in such factories would be a comparatively unimportant item.'¹

The experiment made by Boots Pure Drug Stores, Nottingham, of a six-month's experiment in a 5-day week has been examined by Sir Richard Redmayne,² who reported to the Ministry of Labour (November, 1934). He points out that the problem is simplified in this case by the fact that Messrs. Boots are a distributing as well as a manufacturing firm. He says that the experiment has been an unqualified success from the point of view of costs, efficiency, and the diminution of absenteeism. In his opinion the experiment might be applied at large printing-works and at works where production and distribution are vested in the same concern and where wages do not constitute a high proportion of the selling price.

It is too early to judge of the result of the changes carried out by these two firms, and it should be observed that the change-over to shorter hours was accompanied by some changes in organization. Moreover, both were industries in which wages formed a less important part of costs than in some major industries.³

6. *Shorter Hours in Various Countries*

Italy. The proposal for an international agreement on the basis of a 40-hour week originated in Italy, and Italy is the only country which has adopted general legislation on this basis. The working day of 8 hours in Italy was applied in the early years after the War, in consonance with the Washington Convention, and its application was strengthened in 1929, when average annual hours of work were less than 2,200, the equivalent of 275 8-hour days. An agreement for further shortening of hours was concluded on October 11, 1934, between the two confederations of industrial employers and workers in Italy, providing for the establishment in principle of a 40-hour working week in industrial undertakings for an experimental period. Overtime is in principle abolished, but there are various provisos allowing for the period over which the 40-hours working time may be averaged, and for overtime under special circumstances. The reduction in hours is accompanied by a corresponding reduction in pay. By way of compensation, reduced earnings of workers with large families are to be supplemented from a National Family Allowances Compensation

¹ *The Times*, Nov. 26, 1933.

² Report printed on behalf of Boots Pure Drug Company, Nottingham, 1934. See also Lord Trent's speech at the General Meeting, reported in *The Times*, June 7, 1935.

³ For the results of shortening hours at St. Helens in the plate and sheet glass industry, a change adopted permanently after six months' experiment, see *The Times*, May 17, 1935.

Fund, financed by special contributions by employers and workers.¹ It is stated that within three months the shortened hours resulted in the re-employment of 200,000 persons, and on February 16, 1935, the Fascist General Council decided that the 40-hour week should be made permanent.

United States In the United States, under the Economy Act of June 30, 1932, arrangements had already been made for reducing the hours of work of Federal employees either by giving one month's annual leave without pay, or by substituting the 5½-day week and reducing pay by one-eleventh. This was done with the definite idea of avoiding discharges. In the same year a committee of industrialists, set up by the Federal Reserve Banking and Industrial Committee, advocated the reduction of hours as a means of spreading the volume of employment. The movement, which became known as the 'Share the Work' movement, had the encouragement of President Hoover and met with much support. During the first half of 1933, many of the States were beginning to adopt local restrictions in the hours of work. Connecticut, Minnesota, North Mexico, North Carolina, Texas, and Wyoming all instituted maximum working-hours of 8 to 10 a day, and 48 to 55 a week, in various occupations.²

The National Recovery Act of June 1933, presented as an emergency measure with a life of two years,³ enacted that codes of fair competition containing provisions with regard to work and wages should be presented to every trade and industrial group. On application by one or more trade or industrial associations or groups the President, after hearings by a Deputy Administrator advised by boards representing industry, labour, and consumers, might approve a code for the industry, the terms of which were then binding. Failing such application, the President might prescribe a code. In addition, the President's Re-employment Agreement (P.R.A.) was posted to every employer in the United States. It embodied certain provisions on hours and wages, which should hold good until December 1933 or any earlier date on which a definite Code had been adopted by the industry in question.

The Codes adopted covered the major industries in the United States. The hours agreed upon show considerable variations. Although the N.R.A. prescribed a 35-hour week as the desired basis for the employment of factory workers and a 40-hour week for clerical staff, the P.R.A.s and Codes accepted are more often on a basis of longer hours. The 40-hour week was the general rule except for work subsidized by the United States Government, in which case a 30-hour week was prescribed.

The Codes provided exceptions for small undertakings, for emergency work, and for peak demand. and in many cases definite provision for over-

¹ See *Ministry of Labour Gazette*, Nov. 1934, p. 396; and, in detail, *Industrial and Labour Information*, Nov. 26, 1934, pp. 254-6.

² *Industrial and Labour Information*, Oct. 9, 1933.

³ Renewal in its existing form was made impossible by the decision of the Supreme Court of May 27, 1935, declaring unconstitutional Section 3 of the Act, providing for promulgation by the President of fair codes of competition.

time. Where more than one shift was worked, special conditions were laid down. The code of the wool textile industry, for instance, provided for the restriction of the hours of operation of productive machinery to two 40-hour shifts a week, but apparently the application of this provision was postponed indefinitely.¹ The elasticity of the provisions makes it difficult to assess the total results until the schemes have been working longer, but Mr. Isador Lubin, the American 'observer', told the Governing Body of the International Labour Office (Jan. 30, 1935) that of 534 codes ninety per cent. provided for a 40-hour week or less for the rank and file of labour. No information on the additional labour employed on account of reduced hours is available for the whole of industry. But the cotton textile industry, which was working at full pressure before the application of the Code, in the expectation of increased wages, showed an increase of 11 per cent. in the labour employed within a month. In the iron and steel industry employment increased by 13 per cent in the month following the application of the Code. Professor Allan Nevins, lecturing at University College, London, on December 2, 1934, explained why results of the official shortening of hours were disappointing. Careful studies had shown that the average working-week in American manufacture during the first 5 months of 1933 before the N R A began was already only 34.7 hours. Hence there was little room for spreading work. Moreover, many factories in which hours were actually shortened speeded up the work or resorted to technological improvements in order to avoid hiring a single new man. On the other hand, Mr. Richberg in his Report to the President expressed the opinion that the decrease of over two millions in unemployment between June 1933 and June 1934 was mainly due to the shortening of hours.

Germany. In Germany an effort was made by the Brüning Government in 1931 to secure shortened hours in certain industries with a view to spreading employment. Short-time committees in various industries were set up under the Von Papen Government, and reported in January 1933. They reported various difficulties, the principal one being that the reduction of earnings involved was unacceptable to the workers. The National Socialist Government campaign for shorter hours has been conducted with a good deal of elasticity, though considerable pressure was applied to

¹ For further particulars see *Ministry of Labour Gazette*, Sept. 1933; International Labour Office: *International Labour Review*, Jan. 1934; *Industrial and Labour Information*, June 25, 1934; and the International Labour Office report on *Social and Economic Reconstruction in the United States* already cited. The application of the Code was the *quid pro quo* for the removal of restrictions on practices in restraint of trade; entrepreneurs received in effect powers of price-fixing and combination in return for the concessions they were to make to Labour. These concessions were not only to be in hours and wages, but in the recognition of trade unions. Clause 7a of the National Recovery Act lays down that Labour shall have the right to organize freely and to be represented in collective bargaining by spokesmen of its own choice. In fact this has not been generally applied. Where trade-unionism was strong before it has been strengthened, but important industries are still on the 'open shop' basis; 'companies' unions' are advocated by the employers.

secure reductions by the 'labour trustees' who are the local executive officers of the Reich Government in labour questions

Certain undertakings on their own initiative had already reduced hours of work and increased the number of persons employed by the introduction of an extra shift. In October 1930, for instance, the 'Harburger Oelwerke Brinckman und Mergell' at Harburg, Wilhelmsburg, in Germany, reduced the hours of work of their staff by adopting four 6-hour shifts instead of three 8-hour shifts. This resulted in the employment of three hundred and fifty additional workers, the normal number employed being one thousand.¹ Other oil-mills at Mannheim and in the Rhineland similarly reduced their hours, at the same time reducing wages. In the German brewing industry over 60 agreements have been concluded, covering 30,000 workers, and reducing the working-week to 40 hours spread over 5 days. It is stated that the loss in wages has been partly compensated for in the case of about 22,000 workers. The Employers' Association in the iron and steel industry in western Germany adopted the principle in the summer of 1933, and the lignite industry of central Germany followed suit. There was a good deal of elasticity in these arrangements, the object being to secure an average over the year. In a test case in November,² however, a proposal to reduce hours from 48 to 40 in the Wissen Steel Works on the basis of a corresponding reduction of wages was turned down by the Labour Trustee for Westphalia on the ground that wages had already fallen to the subsistence minimum.

A monthly census of weekly hours of work carried out by the German Labour Front covers some four million workers. The results in February 1934 did not bear out the expectation of large reductions in the working-week. Nearly half the working population covered by the survey were working 48 hours or more, and another 40 per cent. between 40 and 48 hours a week.³ A detailed study of the variations in working-hours under the National Socialist Government is given in the *International Labour Review*, June 1934. The figures there given for individual industries show increases in hours from the low level at the beginning of the year as business improved in the course of 1933.

Scandinavian Countries. The most usual method of shortening hours in Sweden has been the reduction of the number of working days in the week. In some places the undertaking closes down on Saturdays and sometimes on other days. This method is usually combined with the rotation system. In November 1933 a full working-week was about 45.5 hours—a reduction of about 1½ hours on the average obtaining in 1925-9.

In Norway a reduction of hours has been proposed with different rules for

¹ International Labour Office: *Hours of Work and Unemployment* (1933, Geneva), p. 79. Within a year of making this arrangement, however, hourly wage-rates were reduced, and it became necessary to modify the arrangement in order to maintain weekly earnings on a reasonable basis.

² *Industrial and Labour Information*, Dec. 18, 1933, p. 357.

³ *Ibid.* (May 28, 1934, Geneva), p. 297.

individual industries, the workers in most cases to be compensated for lost time. To maintain earnings on this basis legislative provisions affecting trusts and cartels would be modified to allow certain collective increases in wholesale prices, the increases to be balanced where possible by reducing the costs of retail distribution. In Denmark short time has been little practised, but there proposals have been made for voluntary or, if necessary, compulsory short-time arrangements in individual industries, with partial compensation to employees, and in some cases to employers; the compensation is paid by the State on the basis of savings thus effected in unemployment benefit and relief.¹

Great Britain. For Great Britain the question of spreading employment by shortening hours was raised in 1934. Replying to a question in the House of Commons on November 15, 1934, the Minister of Labour stated that he had arranged for immediate consultation with employers' and work-people's representatives on the question of hours of work, and that he hoped to discuss with industries individually the possibility of the absorption of more workers by means of a shortening of hours. The discussions included questions of shifts and overtime. It was understood in the summer of 1935 that the discussions were making good progress, but that the problems of each industry in shortening hours would have to be considered separately.

7. Existing Long Hours

Japan. In the East working-hours are still long. In the textile industry in Japan there may be two shifts—5 a.m. to 2 p.m. and 2 p.m. to 11 p.m.—or one shift 7 a.m. to 5 p.m. This gives actual working-hours of 8½ hours in some factories, but in some weaving-sheds they are 9 or even 10 for men. In some there is a weekly rest, in others only a fortnightly rest. In other industries the 8-hour day is the rule in large factories and workshops. Small workshops employing less than ten workers commonly have longer hours. But undoubted progress has been made. 'I am convinced,' writes M. Maurette, who recently examined Japanese conditions, 'from what I have seen and heard in the large factories, and even the smaller workshops co-ordinated for export, that if that system were generalised it would put Japan in a position to ratify the Washington Convention without difficulty.'² It will be remembered that that Convention, taking note of the special circumstances of Japan, provided for a 57-hour week for persons over 15 and a weekly rest of 24 consecutive hours. The further progress of rationalization and concentration tends to extend the practice of the larger undertakings. But the process of levelling down hours to the 57 hours per week of the larger undertakings will be a slow one, since 60 per cent. of all workers are employed in small businesses employing not more than five persons.

¹ Professor Zeuthen in a note to the Study Group.

² International Labour Office: *Social Aspects of Industrial Development in Japan* (1934, Geneva), p. 25.

China. Chinese factories often have two shifts, each working 12 hours, but in some factories three shifts of 8 hours have been adopted, and in the engineering trades there is often a 10-hour day. In Shanghai an inquiry showed that working-hours varied from a 7- to a 14-hour day. In the cotton industry a 12-hour day was the standard. In the chemical and food industries 9 or 10½ hours was usual. Some modern factories give a Sunday rest. Others allow one day of rest every fifteen days.¹

India. Hours of work in India are still long. In the Madras Presidency a recent inquiry showed that there were 269 factories where the men's hours were not more than 48, and 294 factories where women's hours were between 48 and 54 per week, and 888 factories where men worked more than 54. A 30-hour week for children was observed in 35 factories, and longer hours were worked by children in 122 factories.² A new Factories Act, consolidating existing legislation, passed on August 20, 1934, came into force in 1935. It prescribes a 54-hour week and a 10-hour day for adult workers in non-seasonal factories but retains a 60-hour week and an 11-hour day in seasonal factories. An exception is made in non-seasonal factories with continuous processes where adult workers may work 56 hours. The hours for children (ages 12-15) are reduced to 5 a day and those of women from 11 to 10 in all factories. Young people between the ages of 15 and 17 may not be employed as adults without a medical certificate of physical fitness. In the discussion on the Bill in the Legislative Assembly it was stated on behalf of the employers that a 48-hour week might be possible on the basis of lower wages. There was always danger of increasing competition from Indian States which had not been brought into line with British India in matters of labour-standards.

Egypt. In Egypt hours of work in most undertakings are over 70 a week and in almost 25 per cent. are over 80.³

Great Britain. Apart from the long hours worked in factory employment in the East, the 48-hour week is by no means universal in even the most advanced Western countries.⁴ There is general agreement that the present long hours worked by children in unregulated occupations in England (now being dealt with by legislation)⁵ are economically and socially bad.

¹ Tao (L. K.), and Lin (S. H.), *Industries and Labour in China*—a paper read before the World Social Economic Congress at Amsterdam in August 1931.

² *Industrial and Labour Information* (Nov. 6, 1933, Geneva). For a more recent statement see *International Labour Review*, Dec. 1934, pp. 730-1.

³ *Economist*, June 2, 1934.

⁴ There appears to have been an actual lengthening of working hours in France in 1933-4. On Jan. 1, 1934, 61.5 per cent. of the 2½ million workers in factories under regular inspection were working for 48 hours and over, as against 59.11 per cent. on Jan. 1, 1933. (*Industrial and Labour Information*, March 5, 1934 (Geneva), p. 33.)

⁵ The Shops Act, 1934, which received the Royal Assent in July, provides normal maximum hours of 48 for young persons under 18, and regulates overtime, but the full provisions do not come into force until Dec. 27, 1936. Up to that time the normal working hours may be 52, with rather more stringent provisions on overtime. (*Ministry of Labour Gazette*, Aug. 1934.)

There is a strong case for a further shortening of hours in the distributive trades. An inquiry conducted by the National Advisory Council for Juvenile Employment in Evening Institutes showed that little intellectual work could be done by young people between 14 and 16 working anything from 54 to 75 hours a week.¹ Of 126,392 juveniles covered by the general enquiry, 16 per cent. were working over 54 hours and 26·9 over 48 hours. An inquiry into shop-assistants' hours showed that 65 per cent. of shop-assistants in Liverpool were working longer than 48 hours.²

The Report of H.M. Chief Inspector of Factories for 1934 states that under seasonal pressure or suddenly increased demand there is a tendency to revert to longer hours. In the Midland, Eastern, and London divisions, where in some localities there is a shortage of labour for developing industries, employment up to the legal limit on all days except Saturday was frequent, making a working week of 54 or 56 hours.

¹ For examples of excessive hours worked by children see *League of Nations Union Report* referred to above, p. 83.

² 'We are in danger of assuming that such things as the overworking of children and 11- and 12-hour days must belong to the last century.

'Here are some figures from the National Advisory Council for Juvenile Employment—39,671 children between 14 and 18 have a working week of 54 to 60 hours; 25,657 from 60 to 72 hours; and 1,207 of over 72 hours.

'The Shops Act, 1934, now in Committee of the House of Commons, is an attempt to deal with this, and to provide a 48-hour week for juveniles; but it only covers about 400,000 out of 700,000. It does not touch van boys, some of whom work 80 or 90 hours a week; nor page boys in hotels, nor lift boys, whose day is often one of 12 hours.' (Miss Betty Askwith in a letter to *The Times*, June 20, 1934.)

CHAPTER IX

PLACING-SERVICES

1. *Vocational Guidance*

ONE of the objects of a wise labour policy is the prevention of future pools of unemployment in particular occupations. This is by no means a simple matter in a rapidly changing world, in which old processes are liable to be superseded by new ones, and a changing balance of demand has to be met by a changing emphasis in the various occupations. More than human foresight is required to direct individuals into occupations in which their employment is likely to be stable. Moreover, vocational direction, where it exists, is of necessity in the hands of many persons and committees who know something of local conditions or of particular sections of the labour market, but cannot be aware of the general map of requirements unless their information is supplemented from some local authority. Nevertheless there are certain rough principles which have worked in the past with reasonable success, and their application might be facilitated by better general information, which is at the disposal of the State department concerned with labour and not so readily procurable by individuals or by local committees.

Types of Occupation. There are certain fairly defined groups of occupations, which show changes in their numerical proportions between one census and another. These changes are not usually very great over the ten-year periods, unless there are sudden social and political changes, as there have been in Russia and in Turkey, which create an increasing demand for certain services, for engineering and technical work and general administration, and even more recently in the United States, where a bureaucracy had to be created overnight, as it were. A sudden increase in the defence forces causes a similar change. Apart from changes of this kind the demands of the community alter with its wealth and with the progress of invention, in the direction of an increased demand for professional services, as has already been shown in Part II of this book. But these changes are more gradual and can be more easily foreseen.

The main classes may be given as follows:

1. The higher ranks in defence and in public administration.
2. The higher classes of administration in trade and industry.
3. The professions.
4. The lower salaried classes.

5. Manual labour.

6. The rank and file of defence, recruited for fixed periods from one or other of the above.

In a simpler state of society equilibrium was maintained by family tradition. One son at least followed the father in his occupation; the others fell, more or less, into the same group of occupations. That régime is gone, and is evidently inadequate in the world to-day.¹ It is breaking down even in India, where the limitations have had the formal backing of the caste system.

Clearly some balance requires to be maintained between the candidates for these categories of work, and it is the business of a national education authority to maintain the various kinds of education on a basis roughly parallel to the kind of demand that may be reasonably expected.

University Students. There is undoubtedly serious unemployment in the professional classes in some societies, especially in Asiatic countries. In Europe there is a serious problem in Germany, but an even more difficult situation in the Succession States of central and eastern Europe, in new countries which have for the first time control of their own university education. Overcrowding in individual professions makes some change necessary. The quota system, which is the obvious remedy, has serious disadvantages. Advice before making decision as to the course to be taken, and a stiffening up of preliminary professional examinations to weed out the more unsuitable, offer some advantages; neither would deter a young man with marked aptitude for medicine or law or engineering from studying for the chosen profession, because he would be willing to take the risks, but those who were less certain of their vocation might be directed into more suitable avenues of study. These considerations do not apply to what is known as a liberal education, whose aim is not to provide a specialized training for a profession but general culture; they only apply to the 'liberal' studies if the student regards them as marking him off from the more ordinary occupations and entitled to a professional career, as is apt to be the case in countries where the wide extension of facilities for university education is a new thing.

¹ For an interesting account of the extent to which sons follow the father's occupation or remain in the same class of occupation in Great Britain, see Saunders (C. T.): 'A Study of Occupational Mobility', in the *Economic Journal*, June 1931. The investigation is based on the Merseyside Social Survey. The author concludes that movements upward in the social scale are generally balanced by movements downwards. 'Between the two generations there has been a considerable accretion of strength to the non-manual relatively to the manual grades . . . only one man in six remains in the same trade as his father.'

In some countries the number of university students has doubled and even trebled since the War. There does not seem to be any total over-supply of university graduates for employment in Great Britain, but in many countries the increase seems to be much greater than any possible supply of suitable openings. Between 1913 and 1932 the number of university students increased by 68 per cent. in Germany, 70 per cent. in Italy, 78·7 per cent. in France, 122·6 in Norway, 170 per cent. in India, and 377·9 per cent. in Bulgaria. Overcrowding in the medical and other professions has led in some countries to restriction on the numbers of university students and to various measures described in *Unemployment among Young Persons*¹. The tendency among intellectual workers to see a menace to their own security by the addition likely to be made to their ranks by further extensions of higher education has already led in many countries to the restriction of entry to the universities. On this point the remedy sought should not be in what M. Henri Fuss has called an 'intellectual Malthusianism', but in an expansion of education all round. The error appears to lie in regarding higher education as a social passport and not as desirable in itself. M. Fuss quotes M. Mallarmé, recently Minister of Education in France, as saying, 'Let us by all means hold competitive examinations for the placing of intellectuals, but let such placing be regarded as something quite independent of the University's magnificent task, which is to spread culture and learning as widely as possible'. Nevertheless the desired expansion of education will undoubtedly bring with it an increasing number of candidates for various professions. That expansion will in itself provide more openings for teachers. In general, however, the solution is a raising of the standard of living. 'For the occupations and professions concerned with the production of non-material wealth, the raising of the mental and moral standard of the masses might raise the demand for these services to heights hitherto undreamed of.'²

Guidance may be given on the basis of general information of the prospects of employment in various occupations supplied by the State to the authorities concerned. The French Ministry of Education has set up a University Statistics Office for the purpose. The Ministry believe that in the case of the medical profession a detailed survey would provide the basis for a better distribution of doctors between rural and urban areas and over specialized branches of the profession. The most critical situation for young men leaving the universities is,

¹ 1935, Geneva, pp. 145-6.

² Henri Fuss, 'Unemployment among Young People', *Int. Lab. Review*, May 1935.

however, in India and China. The Conference of Indian Universities at Delhi in March 1934 adopted a resolution suggesting a radical readjustment in the school system, so that more secondary-school leavers should be diverted at the completion of their secondary education either direct to occupations or to separate vocational institutions. The universities would then be able to raise their standards of admittance.

The suggestion is not that the present activities of the universities' appointments boards in Great Britain and their counterparts in other countries should be discontinued, but that they should be taken into counsel at the beginning of studies as well as at the end, and that they should be in closer touch with official information. Similar considerations attach to secondary and technical schools.¹

School-leavers. The largest part of this general direction in the choice of a career lies with the public elementary schools, acting in concert with the Juvenile Employment Exchange.² The changing character of industry makes this difficult, but simpler in so far as a large class of occupations are concerned, because the kind of aptitude required in many of the lighter mechanized industries is very much the same. Under present circumstances it is easy to lay too much stress on a purely technical training and too little on the general intelligence and aptitude which is an advantage in all. Here again there would be some gain in early information, a couple of years before the end of the school career, of the prospects of employment and the kind of openings likely to be available. A system of local committees for Juvenile Employment, which are concerned both with vocational guidance, with placing, and with the supervision of young persons placed, is in force in Great Britain, and has been of great service.³ A similar system is making headway in secondary education. The Ministry of Labour gives assistance by providing hand-books on the various careers open to secondary-school leavers and issues bulletins from time to time with special information for vocational guidance for the use of parents and teachers.⁴

¹ For proposals for guidance for professional occupations see International Labour Office, *Les Problèmes de l'orientation professionnelle*. Studies and Reports, Series J, No. 4 (1935, Geneva) (English edition in preparation).

² In Great Britain the office may be a part of the ordinary Employment Exchange, or it may be conducted by the Local Education authority, in which case it is called a 'bureau'.

³ For details of the work see *Report on the Work of Local Committees for Juvenile Employment during the Year 1932* (1933, Ministry of Labour). For a report on the work done in connexion with elementary and central schools see *Joint Report on the Organisation and Development of the Vocational Guidance Service in Great Britain*, 1934.

⁴ For a report of the placing work of the Headmasters' and Headmistresses' Employment Committees (Secondary Schools) established in 1918 and working

Germany has also a comprehensive system. There vocational guidance in practice is in the hands of the employment exchanges, working in close co-operation with the schools and the social welfare offices. A special institution provides for young persons leaving the Labour Services. Other countries have varying types of organization.

The work is much facilitated where engagement of juveniles through the Employment Exchange is compulsory. One example¹ of misdirection of juvenile labour has been commented on in Lancashire. In spite of high juvenile unemployment in the cotton industry in 1932, a large proportion of school-leavers entered the industry, because it was the only large-scale industry available and the traditional outlet for local labour, and because recruitment was generally quite independent of the Exchanges. Since that date, however, there has been apparent a disinclination to enter the industry on account of the uncertain prospects of employment. Compulsory resort to the Exchanges by both employers and workers seems essential if vocational guidance is to be effective, and if the exploitation of children in blind-alley and unregulated or unsuitable employments is to cease.

The International Labour Office have made some useful recommendations on the whole subject of vocational guidance and placement.² They would like to see the adoption in all countries of vocational guidance in close co-operation with the employment exchanges, so that young people should be deterred from entering industries in a state of decline. They stress the point made above that the system can only be effective if the use of the exchanges is compulsory, and they urge that supervision should continue for some time after placement in order to help the young worker over the initial difficulties arising in all new jobs. This is already done by some local committees in Great Britain, young persons being encouraged to attend from time to time to report progress.

2. *Employment Exchanges. The Mobility of Labour*

Growing Importance of Exchanges. It is not proposed in this chapter to give a description of the operation of the employment-exchange system,³ which is familiar to most readers. The obvious in co-operation with the Ministry of Labour see *Ministry of Labour Gazette*, May 1934, p. 159.

¹ Jewkes (J.) and Winterbottom (A.): *Juvenile Unemployment* (1933, Manchester).

² *Unemployment Among Young Persons* (1935, Geneva), p. 143.

³ For a comprehensive account see International Labour Office: *Employment Exchanges: an International Study in Placing Activities* (Geneva, 1933). For an account of the development of the British system see Chegwiddden (T. S.) and Myrodin-Evans (G.): *The Unemployment Exchange Service of Great Britain* (1934, Macmillan).

need¹ for institutions of this kind has made their adoption almost universal, and during the short period they have been in existence the progress made in extending the area of their operation and in successful placing has been very great. From a modest beginning in 1910 with 374,000 places filled by the exchanges in the United Kingdom the number rose in 1934 to 2,305,000. The exchanges are generally most active and successful in countries where unemployment insurance is fairly comprehensive, since the payment of unemployment benefit and unemployment assistance entails registration by the unemployed man at the exchange or at his trade union in collaboration with the exchange. No doubt the growing use of the employment exchanges has been encouraged by this fact. But there are other reasons. The prevalence of unemployment has forced Governments to give closer attention to the regulation of labour supply, with the result that the service has greatly improved. The simplification of manufacturing processes and the decline in certain skilled trades has led to an increase of semi-skilled labour at the expense of skilled labour, and these new-comers have not the same facilities for seeking work through the agency of their trade unions. The use of the exchanges by skilled labour is increasing even in Great Britain, where trade unions have experience in finding work.

There may be a shortage of labour in one industry and a surplus in another, a shortage in one area and a surplus in another. Between industries the possibility of transfer is obviously limited, though the chances are on the whole increasing. Between areas the disparity may arise simply because of ignorance on the part of the unemployed man of openings elsewhere, or because of his inability or reluctance to move. An increasingly important part of employment-exchange work is to act as a link between areas. Renewed importance is given to the system in some countries by the necessity of arranging transfers from depressed industries and depressed areas, for which a centralized system is essential.² Employers find a corresponding advantage in

¹ The First Session of the International Labour Conference held at Washington in 1919 adopted a Convention which provided, among other things, for the establishment of free employment exchanges under the control of a central authority. This Convention has been ratified by thirty countries.

² Great Britain has an admirable system for clearing vacancies. The branch offices are so linked up with the regional and central offices that in a short space of time the whole country can be combed for vacancies. But the functioning of this system is dependent upon a highly developed technique, i.e. an extremely accurate method for describing both workers and vacancies. The number of different occupations officially recognized is 506, and each occupation is divided into numerous sub-occupations, and a note is required of individual details in practically every case. At the same time the qualifications of workers must be

being able to draw on a wider field of supply. In Great Britain it is now possible for a vacancy notified to one office to be circulated through the national clearing-house to over a thousand other offices within a very few hours; if necessary, the worker's fare is advanced.

The United States of America was one of the few industrialized countries in which no progress was made until 1931, when efforts to establish a nation-wide service were made. The National Employment Service Act of June 1933 formed a federal service to provide the means for clearing labour between States. During the first three years it is authorized to maintain employment offices in States where no employment-office systems at present exist.¹

Obligatory Principle. In two countries only, Italy and the U.S.S.R., has the engagement of workers through the employment exchanges been compulsory, though in many countries employers holding public works contracts must engage workers through them.

In Italy the obligatory principle was embodied in the Labour Charter of April 21, 1927, but it was only enforced by gradual stages as the machinery of the Employment Exchanges improved. Two decrees of December 9, 1929, prohibited private persons or private bodies from acting as placing agents, whether with or without fees, but the Ministry of Corporations had power to make necessary exceptions and to fix the date of enforcement. Compulsory use of the Exchanges became fairly general by 1932.² There has been some evasion of the law, but a system of workmen's passes has been introduced which will, it is hoped, prevent employers from hiring labour otherwise than through the exchanges and thereby evading control.

In the U.S.S.R. the functions of the exchanges have been modified from time to time as policies have changed. With the introduction of the New Economic Plan in 1921 freedom of contract for labour was re-established, and the 'offices for registration and distribution of labour' became 'labour exchanges'. Between 1922 and 1929, however, the rural exodus and the weeding out of inefficient industrial workers caused a high labour-turnover and considerable unemployment. In order to check the exodus of peasants to the towns, registration of rural workers with the urban employment exchanges was registered and the same technique must be in use at all the offices concerned. (International Labour Office: *International Labour Review*, Oct. 1931, 'Use of Employment Exchange in Great Britain as Labour Clearing House'.)

¹ For particulars see International Labour Office, *Social and Economic Reconstruction in the United States*, Studies and Reports, Series B, No. 20 (1934, Geneva), pp. 81-2; for the activities of the Service during its first year of operation see *Industrial and Labour Information*, April 22, 1935, pp. 136-8.

² For details see International Labour Office: *International Labour Review*, May 1930, 'The Campaign against Unemployment in Italy'.

made more difficult in 1924. The need for a fundamental change in the whole policy with regard to the labour market again became apparent. By the end of 1929 free reserves of labour had shrunk perceptibly. There was no longer any need to check the inrush of rural workers to the towns. Industrial development under the Five Year Plan had lowered the standard of living of urban workers, and peasants were afraid of losing their share in the recently established collective farms. After the setback suffered by the policy of collectivization in the spring and summer of 1930 a fresh attempt was made to organize employment, and, by an Order of January 23, 1931, the labour exchanges became 'staff offices'; the idea of a 'labour market' disappeared thenceforward from Russian social policy. For a short time undertakings were compelled to engage all labour through these offices, but an Order of September 13, 1931, authorized States, municipal, co-operative, and public undertakings to engage workers directly without their intervention.¹ 'Staff offices' are set up in every industrial area. Their business consists essentially in satisfying labour requirements throughout the country from Leningrad to Vladivostok on the basis of the Economic Plan.

Legislation making notification of vacancies by employers compulsory was under consideration in Czechoslovakia in 1935.²

Sir William Beveridge, in his evidence before the Royal Commission on Unemployment Insurance, suggested partial compulsion in the use of employment exchanges in Great Britain. He proposed that the Ministry of Labour might be empowered to schedule industries as having 'excessive unemployment' and also industries in which casual employment was a normal feature. Scheduling would mean in all cases that engagement of labour had to take place through or under the supervision of the labour exchange, so that recruiting of fresh labour in a presumably crowded industry would be controlled as it now is in coal-mining.

Specialized Exchanges. With the growth of the exchange system specialization has played a more and more prominent part and the tendency has been to establish special branches and exchanges or sections of exchanges for various industries. Very often, as for example in Germany, the Netherlands, and Switzerland, special occupational sections were created in the public exchanges by the

¹ *International Labour Review*, March 1933, 'The Regulation of the Labour Market in the U.S.S.R.' *The Times* of Mar. 13, 1933, stated that owing to growing unemployment in the U.S.S.R., ordinary labour exchanges had again been re-established.

² International Labour Office: *Unemployment among Young Persons* (1935, Geneva), p. 135.

incorporation of existing joint occupational agencies in the public employment system. The public employment exchange in Berlin had special occupational sections as early as in 1905. After the War the Act of July 22, 1922, gave a legal basis for that specialization. A main reason for creating special occupational sections is stated to have been the incorporation of existing private placing-agencies for special groups in public exchanges. The separation of men and women was usual from the beginning. In France the Departmental Employment Exchange of the Seine had by 1931 fourteen specialized exchanges with joint committees, and seven with no joint committees. Specialization has been actively pursued ever since the War, and the remarkable success attained is generally ascribed to the excellent organization by occupations. The Central Labour Service of the Ministry of Labour has the special task of recruiting foreign workers for industry and trade, of bringing them to France, and to some extent of securing their repatriation if necessary. It also deals with the placing of foreign workers already resident in the country.

In Great Britain special exchanges have been provided in the London area for building trades, for women's work (with two divisions, skilled and unskilled), and for the hotel and catering trades; Glasgow has a clearing-house for Scotland for domestic and hotel service, Leeds and Liverpool for domestic service. There are special arrangements for seamen and dockers. In all the larger exchanges there is considerable specialization, as the placing is done by assistants in charge of groups of trades, often with the active co-operation of the trades concerned.

Seamen. At the Second Session of the International Labour Conference held at Genoa in 1920 a convention was adopted and has since been ratified by twenty-three countries that special employment exchanges for seamen should be set up. Belgium had already established a seamen's agency at Antwerp in 1913. In France and Germany the finding of employment for seamen is co-ordinated with the general system. In Italy a Decree of May 24, 1925, established employment exchanges within the jurisdiction of "every harbour-master in the kingdom. In the Netherlands there are special employment exchanges for inland navigators. In Great Britain, however, seamen are generally engaged through Joint Supply Offices, maintained jointly by the shipping companies and the trade unions.

Port Labour. The system of employment at certain large European ports is important. It was evolved independently of the public exchange systems, owing to the casual character of dock employment. There is a certain similarity in the different systems for the regular-

zation of dock labour, as similar problems arose in the various cities. Hamburg was the first port to organize a system, in 1906, and would appear still to be the most successful in adjusting vacancies to applicants. Liverpool followed in 1912, Rotterdam in 1917, and Antwerp in 1928. At Hamburg and Antwerp the employers and dockers work in close co-operation; in Rotterdam the dockers are entirely excluded from the management of the scheme.¹ In Great Britain the dock schemes are usually managed by local committees of employers and workers; the main feature is the registration of those workers with the best records, to whom preference in employment is given. The register is revised periodically to ensure reasonable equilibrium. There is also a National Joint Advisory Committee to co-ordinate and assist the work of the local committees. The Ministry of Labour in some cases provides clerical assistance; in the Port of London the Ministry provides an office for the use of the Committee, a full-time secretary, and staff. At Liverpool the men's wages are paid weekly by the Employment Exchanges, the employers reimbursing the Ministry for the sums paid plus the cost of administration. This method of payment is convenient in cases where a man may work for several employers in the course of a week.

Agricultural Labour. Until recently very little use appears to have been made of the labour exchanges by agricultural workers, except in Sweden. Here the official employment exchanges succeeded in gaining a firm foothold on the agricultural labour market even before the War. Between 1912 and 1920 the number of agricultural vacancies filled rose from 26,000 to nearly 40,000, and during the period 1926-30 the figure varied between 45,000 and 50,000. Four-fifths of these workers were men.²

In Germany the lack of agricultural workers in the spring of 1928, while more than 1,200,000 unemployed were registered in the country, led to an extension of employment-exchange activity in agriculture. The number of officials with agricultural training was greatly increased and the scope of their activities extended. The work has become even more important since the policy was adopted in 1933-4 of drafting unemployed workers on to farms.

In Great Britain over 72,000 persons, including 64,350 adults and 8,000 boys and girls, were engaged through the exchanges for work on the land in 1933. Compared with 1932 the placings of adults

¹ International Labour Office: *International Labour Review*, April 1930, 'System of Port Employment at certain European Ports'.

² International Labour Office: *Studies and Reports*, Series C, No. 18, 1933, *Employment Exchanges*, p. 93.

increased by 30,781, or approximately 90 per cent, in spite of the fact that agricultural workers are not eligible for unemployment benefit and have not this inducement to use the exchanges. The labour supplied in this way is mainly seasonal, such as sugar-beet raising and fruit and vegetable picking.

In New Zealand farm labourers, in the main, are recruited through private agencies, stock and station agents, and newspaper advertisements; but when the labour bureaux became the local centres of the Unemployment Relief Organization the numbers using the exchanges at once increased.

Various efforts have been made to deal with the serious seasonal unemployment in agriculture in Italy, affecting nearly a quarter of a million workers in the winter. In southern Italy a certain amount of work in the preparation of olive-oil is available in the winter, and work is also available in various reclamation and other schemes. A special department, the Commissario della Migrazione Interna, controls the movement of agricultural workers through the employment exchanges. Of 4 million agricultural workers, 2,600,000 are regularly registered. Efforts are being made to provide proper transport by rail for gangs of seasonal workers, and to secure reasonable shelter for migrant labour, and to regulate contracts. In 1931, 314,000 harvest workers were placed in this way.¹ Olive-picking and rice-cultivation are being organized in the same way.

3. *Mobility of Labour. Transference*

The degree of natural mobility in the labour force varies very much with the character of labour organization, with national character-

¹ 'In addition to the really inhuman spectacle of workers camping out along the roads and on the village square in hope of being hired—which reminded one of herds of cattle waiting for sale—it may be recalled that wages suffer serious fluctuations according to the variation between the supply and the demand for labour. Thus the workmen ran the risk of obtaining no work after having faced the fatigue and the privation of a hard journey. Beside these social and moral considerations, there were others of the purely economic order, with which the Fascist Corporative régime had to deal. The harvest workers could not be sure either of being hired or of receiving an adequate wage if they were hired; on the other hand, farmers could not calculate in advance the cost of production, for in any given locality the number of seasonal workers seeking work was inferior to requirements, or if, in consequence of the sirocco, the harvest had to be finished more rapidly, the wages went up to a giddy height. If, on the other hand, the harvest workers moving about haphazard were more numerous than were required, or if the wheat did not ripen as quickly as was expected, there were other serious drawbacks.' The object of the regularization of the movement of workers was to secure a regular wage and the certainty of employment, and to provide employers with some assurance of the payments they would have to make. (*Répartition et contrôle du travail dans l'agriculture italienne*, 1933, Rome, C.N.S.F.A.)

istics, and with the social system generally. Where labour is organized in craft unions, with strict lines of demarcation between them, labour is less mobile within any given industry than it is where specialization is less marked.

Skilled Men. Specialization, whether defined by trade-union¹ regulation or not, is a feature of a highly developed industrial society, and is necessary for high efficiency. But a high degree of specialized skill demands reasonable equilibrium in employment, if it is not to be wasted. The provision of alternative employment for highly skilled men belonging to a declining industry is obviously very difficult. Highly skilled men thrown out of work by contraction in an industry do in many cases find jobs in relatively unskilled work, but their skill (which is their acquired capital) may deteriorate, especially where the delicacy of touch was essential.² High skill is not only the individual worker's capital: it is an important element of the national capital of highly industrialized countries, an element rendered more important in the present state of world economy, which seems to point to the wider distribution of industry as a whole throughout the world. That is to say that the future of the export trade of the older industrial countries may depend more and more on the production of commodities requiring special skill. It is therefore important that this skill should not be dissipated by employing skilled men on rough work.

At the same time the progress of mechanization and rationalization

¹ The trade unions in the third quarter of the nineteenth century endeavoured to sweep away some of the restrictions on movement. The Northumberland and Durham miners fought a bitter struggle against the 'yearly bond' and the Staffordshire potters in 1866 were able to put an end to the 'annual hiring'. The Webbs showed that 'in such trades as Engineers, the Boot and Shoe operatives, the Cotton-weavers and the Compositors, the Trade Union has for whole generations been struggling to induce its most apathetic and conservative-minded members to put on the adaptability and mobility of the economic man. The growth of "uniform lists" and "national agreements" in one trade after another is a sign that this difficulty is in some cases being overcome, whilst part of the increasing preference for the Method of Legal Enactment is, in our view, to be attributed to the fact that it presses uniformly on all districts and thus favours the concentration of each industry in the centres in which it can most advantageously be carried on'. It is often overlooked that the trade unions in that epoch of their evolution did a great deal to make the labour market less imperfect and thereby to diminish the incidence of unemployment due to lack of mobility. (Note by Mr. Brinley Thomas to the Study Group.)

² 'We have had some evidence put before us showing that the experience of long-continued unemployment by highly skilled workers accustomed to work of very great precision has at least temporarily reduced their capacity for such work, depending as it does on delicacy of touch in working with gauges to thousandths of an inch.' (*An Industrial Survey of the North East Coast Area*, made by Armstrong College for the Board of Trade, 1932, p. 467)

tends to increase the number of semi-skilled and unskilled jobs and to decrease the number of skilled men required. Supervision of the machinery requires very high skill, but its operation does not. Therefore there is in the mass of semi-skilled workers a very high degree of potential mobility. The work requires a degree of aptitude and care, but the use of standard machines in practically all factories, as in the boot and shoe industry, makes transfer from one establishment to another perfectly simple from the technical point of view.

Local Attachments. An element of rigidity not arising out of the character of the work is the stability of the population in older countries. The British skilled worker who has been in receipt of good wages is usually firmly established in the district where his industry is carried on, he has perhaps bought a house, and he has contracted many ties with social, religious, and professional organizations. He is probably connected with various friendly and co-operative organizations, benefit and other societies, and he may be an active and useful member of society in connexion with local government and other activities. Transfer to another district means a break which involves, in addition to adjustment to new and unaccustomed conditions of work, some individual hardship and a total social loss. In fact homesickness in the wider sense is so acute that many transferred persons return.

Degree of Mobility in Great Britain. The Analysis by Sample of persons insured against unemployment in Great Britain in July 1932 shows that 37·3 per cent. had had at least one change of occupation, but the proportion varied very much. For those in coal-mining, the figure was only 8·5 per cent.; the explanation being that coal-mining is generally carried on in isolated districts where there is little alternative employment and that transfers from other industries are restricted by special arrangement. Industries requiring apprenticeship, or special training, naturally show low proportions of transfers from other industries. There have been many transfers from the engineering industries into transport, building, metal, and distributive trades. Recruits for the artificial silk, chemicals, vehicles, and public works industries, all of which have rapidly expanded in recent years, have been drawn partly from the depressed trades.¹ The Armstrong College Industrial Survey of the North East Coast Area² found that shipyard workers were less mobile than the average, but through the Tyneside clearing House 288 men were transferred in 1930 to other shipbuilding districts.

¹ *Ministry of Labour Gazette*, Sept 1933

² 1932.

In fact, the rigidities of labour supply which exist in highly developed countries and arise out of the nature of a socially and politically stable community are some of them socially desirable, although they generate a certain amount of impatience in society at large when necessity appears to dictate increased mobility.

The need for occupational mobility was strongly emphasized by the Balfour Committee on Industry and Trade:

'It is therefore a matter of supreme necessity in this period of rapid and insistent flux and transformation to maintain unimpaired the qualities of initiative and flexibility of temperament, the power of readjustment and adaptation, and the capacity for free and willing cooperation among all the partners in production and distribution. Any waning of these powers could only mean an increasing rigidity and ossification of economic structure, and a progressive enfeeblement of its vitality for which no measures of external support or defensive organisation could compensate'¹

Mobility in U.S.A. and U.S.S.R. In the United States, which has now great cities in places where the fathers of the present generation were pioneers in the wilderness, there is much more fluidity. People are ready to move elsewhere, and ready enough to move between jobs. In the U.S.S.R. strict regulations have been enforced to prevent the Russian worker from wandering in search of new and hitherto untried occupations. His natural mobility is excessive.

Transference in Great Britain. In no country is the problem of transference so acute as in Great Britain, and in no country are the obstacles more formidable.

The depressed areas of Great Britain are each dominated by one or two industries, so that the possibilities of transfer within the area are very limited. The only practicable course open in many cases has been transfer to other areas where there is a greater variety of occupations and a smaller degree of unemployment. Against this policy² resistance has to be overcome on two sides. The unemployed worker is unwilling to leave his home, and the introduction of large numbers of workers into the more prosperous areas is apt to be resented in those districts if they themselves have considerable unemployment. That is to say a transfer policy requires the will to transfer on the one hand and a friendly reception on the other. It is frequently argued that at a period when unemployment is widespread transfer from one area to another merely evens out lack of work. But there

¹ United Kingdom: *Final Report of the Committee on Industry and Trade, 1929* (Cmd. 3283 of 1929), p. 235.

² See the annual *Ministry of Labour Reports* and *Report on Industrial Transference*.

is a great reserve of industrial skill and aptitude in these areas, and its injection into newer industrial districts has dynamic possibilities. 'The amount of work available in a community at a given moment is a function of the enterprise of its members, and it may have been that if more workers of the right type had been moved from North to South—then their improved environment would have enabled those workers to create jobs.'¹ On the other hand, it is men between 18 and 35 who are most likely to be transferred, and their removal in large numbers would definitely lower the general standard in the areas from which they are moved; it is unlikely, however, that the process will be rapid. The position is not so static as is generally supposed, and there has been in the last few years a considerable adjustment by unassisted migration from these areas, and by assisted transfer under the schemes of the Ministry of Labour. The changes in the distribution of the working population showing the results of this movement have been given on p. 64 above.

The percentage gain or loss of population by migration between 1921 and 1931 for certain areas, side by side with average unemployment rates, is shown in a table prepared by Professor John Jewkes.² It shows a very considerable outward movement from south Wales and the north-east coast, but a small rate from Cheshire and Lancashire (where the special scheme of the Ministry of Labour was not applied until 1930) and a still smaller one from Cumberland, Westmorland, and Yorkshire.

In 1931, 19,000 workpeople were transferred from the depressed areas under the Ministry of Labour scheme, in 1932, 12,000, in 1933, 8,000; and in 1934, 12,000.³ Assistance for household removals was provided in some cases. The continued industrial depression made transfers to other areas difficult, since unemployment was considerable in the relatively prosperous areas, and a large part of the transfers were to State-aided schemes. Moreover the volume of transfers from the depressed areas was restricted, because many vacancies were used to provide continued work for men already transferred, so as to consolidate the transfer. The transfer of boys and girls from the depressed areas presents a different kind of problem, involving, as it does, a

¹ Jewkes, Professor (J.), *The Mobility of Labour and the Localisation of Industry*, paper read before the Manchester Statistical Society on Feb. 8, 1933. For individual industries see Thomas (Brinley), 'Labour Mobility in the South Wales and Monmouthshire Coal Mining Industry, 1920-1930', in *Economic Journal*, June 1931; Jewkes and Campion, 'The Mobility of Labour in the Cotton Industry', in *Economic Journal*, July 1928.

² Op. cit.

³ *Ministry of Labour Report for 1934* (Cmd. 4861 of 1935, London; H.M.S.O.), p. 24.

certain amount of continual supervision. In 1932, 628 boys and 2,502 girls were so transferred. Most of the girls were placed in domestic service after a period of training, but some were placed in industry.¹ In 1934 over 5,000 boys and girls were transferred.

The difficulties in the way of transference, especially from isolated communities with firmly established local traditions, are noted in the Reports of the Special Commissioners for the distressed areas appointed in 1934, and by other observers. In the Cumberland area 'the energetic and skilful efforts made by the Employment Exchanges to supplement the natural flow of labour out of the area by assisted migration have met the most formidable obstacles'. In the Maryport area, to take a single instance, the results were as follows:²

TABLE LXXXIX

*Transfers from Maryport Area**Summer 1928–Summer, June 1932*

1. Number transferred direct	264	} 308 returned home.
2. Number transferred to employment on Water-works scheme at Haweswater	127	
3. Number sent to Transfer Instructional Centres	140	120 returned home.
4. Number sent to Government Training Centres	117	90 returned home.

Under the heads (3) and (4) there may have been a lack of available employment on the completion of the course. But the first figure shows the difficulty of transference. The figure given by the Ministry of Labour officials in the Cumberland area shows that 35 per cent. of transfers covered in a given inquiry had returned to their native soil.³ If boys alone are taken, transfer had been more successful. Out of 326 boys transferred through the Ministry of Labour between 1929 and 1934, only 30 had returned home for various reasons.⁴

Mr. J. C. C. Davidson, M.P., reporting to the Minister of Labour on conditions in the Cumberland area and the love of the people for their own country, says. 'I do not suggest, of course, that transference should not be pressed to the limit, especially for young people; but the difficulties must be faced, and I have suggested the establishment of a local interim Training Centre to prepare the men for training away from home in the existing centres.' In a lesser degree the difficulties of transfer appear in other areas. That the policy will have to be pursued unless the alternative of setting up new industries in the

¹ Ibid., p. 47.

² Jewkes, op. cit., p. 114.

³ United Kingdom: *Report of Investigations into the Industrial Conditions in Certain Depressed Areas* (Cmd. 4728 of 1934, London, H.M.S.O.), p. 37.

⁴ Ibid., pp. 43, 44.

special areas succeeds, is nevertheless agreed by all the investigators sent to the depressed areas in 1934. On a large scale it is wasteful in one respect Accommodation of all kinds, social, educational, and municipal, is available locally, and would have to be extended in the newer areas

Transference in other Countries In Germany the largest operation in transference has been the placing of men on public works, in Voluntary Labour Service, and on the land.

In Italy transference has been on a considerable scale, and is in practice compulsory, although the method of compulsion is generally indirect. The movement of the working population is controlled by the Commissariat of Internal Migration and Settlement, which can demand information on labour supply from the various authorities concerned. Authorities carrying out public works are required to notify the Commissariat of the labour required from other provinces, and the movements of groups of the population required, and the contracts of their engagement are supervised by the Commissariat. The most important movement is that of seasonal workers in the rice-fields, olive-groves, and for the wheat harvest.¹ Other important movements are in connexion with land settlement schemes. Leaving the purely seasonal movements out of account the number of settlements in new districts has been very large ²

In the U.S.S.R. a new scheme, known as the Colonization and Settlement Plan, was drawn up for the settlement of various regions in Siberia and elsewhere to bring into cultivation new lands and to provide an outlet for various refractory elements in the peasant population. Ejection and resettlement has brought about internal migration on a considerable scale; the Cossack peasants of the Kuban in the Northern Caucasus have been removed in large numbers to Northern districts, and the lands left vacant have been cultivated by poor peasants introduced from various districts of Russia.³

¹ See *Répartition et contrôle du travail dans l'agriculture italienne* (Rome, C.N.S.F.A., 1933) presented to the 5th Congress of the International Management Institute.

² See the reports of the Comitato per le migrazioni interne.

³ *The Times*, Aug. 31, 1933.

SECTION III

THE MITIGATION OF UNEMPLOYMENT

CHAPTER X

UNEMPLOYMENT INSURANCE AND RELIEF

It has long been recognized that persons who cannot earn their living, and their dependants, must be defended from starvation and death from exposure—to put the need at its lowest. The duty of the State to provide relief is recognized earlier in industrial countries where the involuntary character of unemployment is in general clear, and only more slowly and to a lesser extent, as a rule, in predominantly agricultural countries where unemployed labour can often be absorbed on terms of bare subsistence. For reasons of administrative convenience the authority on which the duty of supplying relief has been placed has generally been the local government body of any given town or district. The acceptance of the inescapable minimum—the relief of the destitute unemployed in institutions—carried with it, until recently, a certain social stigma and political disability. The complement to institutional relief is ‘outdoor relief’, now generally reserved in countries having unemployment insurance systems for emergencies and special cases among industrial workers, and for the relief of persons outside of or on the margin of the industrial field.

1. *Reasons for Special Provision against Unemployment*

Involuntary Character of Unemployment. Differentiation between distress due to unemployment and distress arising from other causes is only gradually being accomplished ; it does not arise fundamentally from the question of whether the onus of distress lies on the individual. The notion that the righteous man ‘shall not want’, and that poverty is the result of a man’s own fault or his parents, is a very old one. It is only slowly being destroyed by a changed attitude of mind towards the philosophical and psychological questions involved in the determination of man’s character and fate, by the conviction that there is no justification for the assumption that distress is necessarily due to failure of duty, whether it is directly connected with industrial conditions or not. But the practical difficulties involved in relief, in assessing of the distressed person’s responsibility for his condition and his capability of extricating himself, led to harsh measures

for dividing the sheep from the goats, which fell alike on the idle and thriftless and on those who had put up a good fight against misfortune and failed. Even after general public opinion, and with it the official attitude, towards the problem of poverty changed, and systems of relief were no longer made distasteful as a matter of policy, there remained a strong prejudice on the part of the workers against applying for relief.

Now if there is fundamentally no reason to assume that poverty outside the industrial field is any more due to individual failure than poverty among industrial workers, why need the distinction between the ordinary relief of distress and unemployment relief be made? The reason is that the unemployed worker is a part of an industrial system whose working necessitates some discontinuity in action, that he takes his share in the risks inherent in the system, a share of risk which is more important as a rule to him individually than to his employer because his resources are commonly less in proportion to his income. The involuntary character of the great bulk of unemployment is obvious. And since in normal times industry functions on a profitable basis, the risk against unemployment is a reasonable object of insurance out of the resources of industry, just as accident, fire, and other risks are. If the risk exhausts the funds of an insurance system, and relief properly so-called becomes necessary, there still remains the consideration that the distress as a whole is due to the nature of the system and not to the fault of the individual. This consideration may apply to distress of all kinds, but it is not so easily capable of proof as in the case of unemployment, though its validity is recognized in a great variety of State social services for health and old age and other purposes.

Before the introduction of systems of insurance against industrial accident, against sickness, old age, and unemployment, there was no discrimination between the distressed within and without the industrial field, and applicants for assistance were all subject to inquiry into means. For the able-bodied willingness to work was tested by willingness to undertake apparently useless tasks. That mentality on the part of authority still remains strongly entrenched in many countries.¹

Thrift Societies and Trade Union Benefits. The working classes have always sought to provide against the necessity of recourse to relief by family contributions, private savings, savings through insurance societies, clubs, &c.—all kinds of provision against a 'rainy

¹ See Chap. IV above, 'Work Relief'.

day'. This provision made by the workers themselves has been assisted by the State to some extent by giving special privileges to friendly societies, savings banks, and other provident associations. That assistance has been indirect, but of real value, in encouraging thrift by guaranteeing small savings, as far as possible, against fraudulent management.

Separate provision against unemployment was first made by the trade unions. Unemployment benefits had been a part of trade union organization for fifty years in Great Britain before a system of State insurance was introduced. They were important in skilled trade unions covering only a small part of labour, but were unimportant in the strongly organized coal and cotton trades, where depression was commonly met by short time. The benefit was usually 10s. a week, payable for a limited period, generally not exceeding twenty-six weeks in a year. German trade unions also made provision against unemployment. In 1914, out of forty-seven federations, only seven had no unemployment assistance schemes. The schemes varied both as to contributions and payments. The aggregate expenditure on unemployment benefits by the Socialist trade unions ('*Freie Gewerkschaften*') amounted in 1914 alone to 24.7 million marks. The smaller body of Liberal and 'Christian' trade unions also had unemployment assistance schemes. The burden had proved a heavy one, and in some cases assistance was procured for the schemes from the local authorities.

Official Recognition of Unemployment. Definite official differentiation in recent times between general distress and distress arising out of unemployment may be said to date in Great Britain from the Local Government Board Circular of 1886, enjoining on local authorities provision of work schemes. The Labour Bureaux (London) Act of 1902 was followed by the Unemployed Workmen Act of 1905, providing for the levy of a $\frac{1}{2}$ d. rate for the provision of work for the unemployed. The Report of the Royal Commission on the Reform of the Poor Law was a landmark in public thinking on the subject, and made it clear that unemployment was a separate problem of industry and that the onus of relieving it must fall at least in part on the economic and political system. This sense of a special industrial problem was growing in other countries. Unemployment definitely emerged as a matter for international discussion at the International Conference on Unemployment in Paris in 1910, when delegates from eighteen countries presented reports on the statistics of unemployment and systems of placement and of insurance in their countries. The outcome of the Paris Conference was the formation of the International

Association on Unemployment, with a permanent secretariat and a special library at Ghent ¹

There was a great movement towards social insurance of various kinds before the War, notably the establishment of sickness insurance and old age and invalidity pensions. There was no general State system of insurance against unemployment, except in Great Britain, and even there the unemployment insurance legislation of 1911 was only applicable to certain groups of occupations. The great growth of unemployment insurance schemes, most of them voluntary in character, took place after the War.

Changed Attitude in the United States. Only the United States among the principal industrial countries maintained the principle of 'rugged individualism' and had no general social insurance legislation. This is explained by the prosperity which she experienced, with one or two brief set-backs after the War, and to the high wage policy consciously adopted. The theory was that high wages enabled the worker to make provision for emergencies; this was true of skilled workers, but probably less true for a large part of the working population. Furthermore it was argued that there was work for all in some place or occupation and that the natural mobility of the labour force in place and occupation was essential to the American industrial and social policy and might be endangered by insurance schemes. If a man could not find a job, it was generally held to be for some fault of his own. This attitude was strong among the workers themselves, and when the slump came men out of work were often bitterly criticized even by their own families. In fact unemployment as 'a problem of industry' was not generally recognized. The process of conversion from this point of view has been a terribly hard experience. In the course of a few years American opinion has undergone an evolution which was spread over forty years in England. In the height of the depression one-third of workers in commerce, industry, and non-agricultural occupations were unemployed. At the beginning of the slump reliance was placed on local charity which had hitherto served to mitigate acute distress. But at a very early stage the strain proved too great. The gigantic relief operations which proved to be necessary are described above.² But the substantial

¹ The choice of Ghent as centre of the new organization had a certain significance, for Ghent had been the first city in Belgium to establish a communal unemployment fund, consisting of trade union unemployment funds subsidized by the city authority. A rather different scheme was established at Liège. By 1913 there were 101 communal funds of one or the other type in Belgium, and from 1908 onwards local funds were subsidized by the State.

² See pp. 311-13.

programme of social insurance on a federal basis put forward by President Roosevelt in a message to Congress on January 17, 1935, shows that the necessity of providing permanent machinery for relief on the basis of insurance payments is recognized. The provision of 'economic security' was to be based on the following general principles: (1) the system to be self-supporting in the sense that payments are not to be met from general taxation, (2) principles to be laid down by the Federal Government but management left to the States; (3) Federal control over funds through Treasury trustees to ensure good management and 'protection of the credit structure of the nation'. The services to be provided are old-age annuities, compulsory and voluntary, federal aid for existing services, for dependent children; aid for state and local public health services, but not for the moment sickness insurance (still under study), and unemployment 'compensation'.

2. *Advantages of Unemployment Insurance*

Industrial Advantages. From the industrial point of view insurance is held to be necessary as a means of maintaining a certain reserve of workers, who cannot be continuously employed, in the various industries. It is essential that the reserve should be as small as possible, but it is only an effective reserve if the workers who at different times compose it are enabled to maintain their skill, physical powers, and morale during the period of lay-off. Industrial conditions in the last ten years have given a different complexion to unemployment insurance schemes, which have had to deal, not with a minimum reserve, but with a pool of surplus labour, which in certain trades appears to be permanent. Unemployment insurance schemes which are devised to spread moderate risks of temporary unemployment over the labour force and over times of prosperity and depression cannot be expected to cope with permanent unemployment in depressed industries. The actuarial basis on which they are founded did not envisage risks of that kind. The premiums paid by workers and employers create in the first instance a charge on costs and wages, but industry accommodates itself to these conditions, and the charge is passed on, though any change in rates causes a temporary disequilibrium.

Administrative Advantages. Unemployment insurance is accepted by Governments because experience has shown that relief of large bodies of able-bodied workers on the basis of need presents political difficulties.

Working-class Point of View. The declared object of compulsory

insurance from the point of view of the working class is to provide the insured man with compulsory savings against the contingency of unemployment, and to supplement these savings by contributions from the employer and, in most systems, from the State. The worker is thus spared a system of relief based on the investigation of need, and receives his benefit payment as of right, unless unemployment is so prolonged as to exhaust his claim to benefit.

Some exponents of working-class thought go farther and would maintain that ultimately the right of an unemployed man to maintenance is admitted by implication in all systems of compulsory insurance. Where the difference arises is in the definition of what the man's rights are. The workers' point of view is that the community as a whole is under an obligation to provide adequate maintenance for every citizen if employment for him is unobtainable through no fault of his own. This implies compensation from State funds as a right, and irrespective of his needs. If this contention is carried to its full conclusion there is no ground for the exaction of contributions from the worker, since it is postulated that he is entitled to the compensation in any case. This right to compensation or full maintenance has not been admitted by any government. The payment of compensation¹ implies a breach of duty on the part of the body paying the compensation, and the State, under the capitalist system, cannot admit the duty to provide employment. Actually the State can only become responsible for providing employment for the workers if the whole of industry is socialized.

Indirect political pressure has some effect on the constitution of unemployment insurance and relief schemes. But the main reason why some countries adopted insurance early and others at a much later date appears to be differences in occupational distribution. Urban populations divorced from the land have practically no resources to fall back on, while in countries with large agricultural populations short periods of unemployment can generally be tided over by return to the villages.

3. *Problems of Unemployment Insurance*

Benefit and Relief Scales. Where compulsory insurance is a highly developed system, as in Great Britain, one of the main controversies centres on the extent of the gap between an average wage and the minimum payment which the public conscience considers necessary to an unemployed man. Is that gap wide enough to allow a benefit

¹ The word 'compensation' has, oddly enough, been preferred in the draft American legislation of 1935 to the word 'insurance'.

standard, definitely lower than wages and definitely better than relief, to be set up? Obviously there is little advantage to be gained from insurance if, without paying the premium, practically the same standard of relief can be obtained. The continuance of a contributory system demands a standard benefit less good than wages and better than relief. As the scale of relief is forced up by public conviction to the standard applicable in the interests of national health for all families, the gap is diminished, and the relative advantage of standard benefit decreased. Standard benefit tends to be accepted as the minimum provision¹ for family needs. If it is so accepted, opinion may, rightly, force public assistance to approximate to the same standard. If the Unemployment Assistance Board in Great Britain fixes scales of relief at approximately the same level as benefit scales, the privilege attached to the maintenance of contributions will be limited to exemption from inquiry into needs. It seems, therefore, that the expansion of unemployment assistance and the removal of the 'stigma' formerly attached to Poor Law relief may logically lead to the reconsideration of the contributory basis of insurance, since the payments made by employers and employed tend to become taxation earmarked for a special purpose rather than insurance premiums in the ordinary sense.

Alleged Hindrance to Mobility. Where insurance is universal and benefits considerable some difficulties emerge. The common criticism that insurance encourages malingering may be true of a small number of persons, but there is conclusive evidence that malingering plays no serious part. The idea still sometimes expressed that an unemployed man prefers benefit to work is contrary to the experience of trade unions, of all employers reopening their gates to labour, and of common sense generally. Inquiries carried out among the unemployed in many countries, some of which are referred to elsewhere in this book, show how strong the natural drive to activity is. It is sometimes contended that the existence of insurance benefit (1) decreases mobility between different occupations and different areas, and (2) facilitates a certain amount of seasonal employment and short time.² The decrease in mobility, if proved, is a serious matter.

¹ This is the ordinary man's view. In point of fact when unemployment insurance was introduced in Great Britain, and on many subsequent occasions, it has been officially stated that unemployment benefit was designed to supply extra assistance—to supplement a man's other resources—during temporary unemployment, and not to supply the whole needs of a family. Otherwise, of course, the difference between wages and benefit would be hard to maintain.

² The German unemployment insurance regulations were amended in Dec 1934 (see *Reichsarbeitsblatt*, Dec. 5, 1934), to facilitate short-time working by making special provision for short-time working in the textile trades; the

But in any case the objection seems to attach with more force to relief, which is generally a local matter,¹ locally determined, whereas unemployment benefit can be paid where the man happens to be. The main hindrance, however, does not lie in insurance, or in relief, but in the dearth of jobs in other occupations and other areas. Nevertheless, if there were neither insurance payments nor relief, greater efforts might be made by unemployed workers attached to dwindling occupations or living in depressed areas to move to other occupations or other areas.² Transference has been facilitated in Great Britain and large compulsory transferances have been effected in non-democratic countries. It is improbable that the number of persons attached normally to certain industries in Great Britain would be so large if unemployment insurance did not exist. The ties associating a man or woman to his or her own trade and home, and trade union benefit organizations, naturally delay efforts to secure unaccustomed employment in new areas so long as there is even a remote possibility of resumption of work at the old trade in the old place and of bridging the gap by unemployment assistance.³

'Social Malingering.' In the second place the existence of unemployment insurance absolves the employer from responsibility to keep the workers employed without temporary stoppages. For in-

extension of special compensation to short-time working in other trades was under consideration. The Minister of Labour said that temporary limitation of output owing to scarcity of raw material ought not to involve dismissal of workers and subsequent re-engagement; that short-time working was preferable, and the payments out of the Insurance Fund for short-time were increased to compensate to some extent for the fall in earnings.

¹ The degree of centralization recently established in England is an exception to general practice.

² 'In many ways this is not to be deprecated. The weary and fruitless tramping in the nineteenth century of the unemployed, without means of subsistence, from one place to another was socially wasteful and inefficient economically . . . there are worse things than immobility of labour, and one of them is the whip of starvation formerly used by the community to satisfy itself that there were no work-shys among it. Nevertheless, it is impossible to escape the conclusion that this easing of the position of the unemployed must make for a higher *normal* rate of unemployment' (J. Jewkes, 'The Mobility of Labour', paper read before the Manchester Statistical Society, Feb. 8, 1933.)

³ See above, p. 377. An American critic of the British unemployment insurance system has maintained that 'the elaborate rules and practices that have grown up in the English system around the notion of suitable employment, wherein eligibility to benefit turns on the availability of almost the right kind of a job, are bound in the long run to delay or obstruct that free absorption of labour which is a prerequisite to business activity'. (Leo Wolman, at the Forty-First Meeting of the American Economic Association, Chicago, Dec. 1928.) Since the date of this criticism, however, judgements of what constitutes 'suitable employment' have tended to widen its scope, and transference on a considerable scale has become part of Employment Exchange policy

stance the general practice in agriculture in Great Britain is roughly to provide continuous employment throughout the year,¹ but it is conceivable that if agriculture came under unemployment insurance the moral obligation would no longer be felt and seasonal unemployment might become very important. In certain industries the insurance system has been used practically as a subsidy to wages in the case of organized short-time.²

In Sir William Beveridge's words, the main danger of a comprehensive insurance system is 'social malingering'.³ It may tend to lull the sense of responsibility in trade unions, employers, and in the community at large as represented by the central Government. The State, having provided maintenance for the unemployed, is not subjected to the same pressure to take positive steps for the improvement of employment. Unemployment insurance also removes from the employer pressure to maintain regularity in employment, and it tends to diminish the mobility of the labour force. Consequently it demands as its concomitant the best possible system of the organization of the labour market through employment exchanges, and perhaps some measure of compulsion in their use, if these dangers are to be avoided.⁴

Scope of Application. There are strong grounds for making the insurance system universal in its application. If a scheme does not cover all occupations it tends to deter persons from entering uninsurable employment; it also tends to induce movement from uninsured into insured trade, where this is possible. This was one of the reasons for the proposed inclusion of agriculture in Great Britain. The case against universal systems of unemployment insurance is usually based on the differing degrees of necessity; in some occupations where continuous employment throughout working life is practically assured the payments are felt to be an unjust burden for the relief of unemployment in less favoured trades, a risk which the contributors in the safe trades feel should be shouldered by the State.

¹ The principle of yearly hirings has been much weakened in England, particularly in the South. They are still usual in Scotland. But, though there may be no yearly contract in England, the farmer, in practice, keeps his men on in the slack season.

² Under the British regulations a worker may draw unemployment benefit if he works only three days a week. But a weaver who works the full week and is attending two or three looms instead of more may be receiving at piece rates less than he would receive from the public authority if he were completely unemployed. For a discussion of these points and the dilemma involved see a correspondent in *The Times*, June 20, 1935.

³ Beveridge (Sir W. H.), *Causes and Cures of Unemployment* (1931, London).

⁴ See Chapter IX above on Placing-Services.

Flat Rate and Differential Payments. Closely associated with the question of the inclusion of all occupations, the reasonably secure with the insecure, is the question whether the rate of contribution should be a flat rate or not. Great Britain adopted the flat rate. Obviously under the flat-rate system for contributions and benefit, the contribution falls most heavily on the unskilled and the burden of unemployment most heavily on the skilled worker with the higher wage and a larger margin between wages and benefit. Administrative considerations make the differentiated rates of contribution and benefit very difficult; but they have been adopted in Germany, Italy, Austria, and Poland, all of which have compulsory schemes, and in some voluntary schemes. In Denmark premiums vary according to trade, risk, and employment conditions, and are supplemented by grants in proportion to premiums. It is claimed that this provides an effective actuarial basis for insurance. Where voluntary funds by trades form the basis of insurance, differential rates may work satisfactorily where public grants vary inversely with average wage levels in the trades.¹ It is sometimes argued that in England the gap between wages and insurance benefits for the skilled worker is compensated to some extent by additional benefit outside the scheme from his trade union. That was the case in Great Britain in better times, and still is in the most prosperous unions, but in bad times trade-union funds in certain exposed trades are apt to become exhausted and membership tends to decrease. Mr. A. A. H. Findlay, General Secretary of the Patternmakers Union, has stated that that Union, founded in 1872, had up to the year 1920 an average unemployment under 4 per cent. At that date there were 12,000 members. Since that date unemployment had averaged 12 per cent.—in 1932 it was 27 per cent.—and the balance of funds in hand, which was £16 per member in 1921, had fallen in 1932 to £2 per head. The Union was unable to pay the benefit for which the men had paid subscriptions to the Union for years.

Assistance subject to Need. In schemes which retain their actuarial solvency and do not require emergency grants from the State there is no means test. Statutory benefit in Great Britain is not subject to a test of need, but transitional payments² are. In most countries the local authority or the State is drawn upon and some test, either willingness to engage on relief works or a test of need, is imposed. In Austria a means test is imposed at the beginning of payments; in Germany formerly from the seventh week of benefit

¹ Information supplied by Professor Zeuthen in a note to the Study Group.

² 'Unemployment assistance' under the new scheme.

and for married women from the beginning, and now the regulations are much more stringent, and are determined locally. France, Belgium, Czechoslovakia, Poland, and Switzerland all impose a means test, varying in character.¹ The saving to the British Exchequer on transitional benefit due to the means test was put at about £16 millions at a time when 47 per cent of persons receiving benefit were on transitional benefit. The retention of the Test of Need under the new British Act of 1934 was justified on the ground that when a man had exhausted his unemployment benefit he might very well need something more than cash payment, possibly special medical treatment, re-training or other assistance, and that the amount given should be a matter of administrative discretion after the resources of the household had been taken into account.²

4. *Finance of Insurance Schemes in Depression*

Reserves for Depression. The difficulties in which insurance schemes were placed by the prolonged depression accounts in the main for the rapid changes in legislation which have taken place in many countries in the last few years. It is inevitable in periods of heavy charges, not all of them due to the immediate depression, that the feasibility of an insurance scheme in which the duration of benefit is not limited to short periods of normal unemployment should be doubted. The risks accepted in bad times under a self-sufficing insurance scheme must only be such as can be met out of the accumulation of funds in good times. So long as industrial fluctuations are as unpredictable in their duration and severity as they have proved to be since the War, the proposition is an exceedingly difficult one. Safeguards against excessive demands on the fund are required. Solvency only appears to be possible if relief for chronic unemployment is removed from the fund.

A well-managed fund should be able to bear the effect of ordinary business fluctuations. To take expenditure in a single bad year and say that the charges exceed income and that therefore the fund is on the way to insolvency is of course absurd. The results require to be averaged over good and bad years. In regard to the financial position of the British scheme which led to the changes made in 1934 Mr. Henry Clay pointed out³ that it was the absence of any alternative

¹ See Tait (D. C.) speech reported in *Unemployment Insurance*, p. 20 (League of Nations Union, 1933, London).

² For the controversy which raged round the application of the new rules see the debates in the House of Commons on Jan. 28 and Jan. 29.

³ United Kingdom: *Final Report of the Royal Commission on Unemployment Insurance* (London, H.M.S.O.), pp 361 seq.

to insurance except the Poor Law which led to the 'transformation of the insurance scheme into a relief scheme'. Given reorganization on the lines which have since been pursued there is no reason why unemployment insurance should not be solvent. An insurance scheme is designed to meet industrial fluctuations, not designed to carry the burden of permanent depression in certain industries. 'It is unfit to carry the burden of persistent unemployment in declining industries which formed so large a part of the unemployment between 1923 and 1930.'

Borrowing in Bad Years. Apart from special circumstances such as these it is as legitimate to borrow in depression as it is to levy high contributions in periods of good trade. Mr. Clay maintains that it is not only legitimate, but desirable¹ as 'moderating somewhat the tendency to excessive curtailment of expenditure in times of depression'.

The importance of the latter point seems to be corroborated by the condition of Great Britain. No country had a more comprehensive system of insurance, though it was far from perfect. In no country was there less disturbance of internal consumption, and the relative stability of activity in the consumers' goods industries may be ascribed to the maintenance of *some* degree of spending power among the two million unemployed. Mr. H. B. Butler has pointed out² that between 1929 and October 1932 the real purchasing power of wage-earners in the United States was nearly halved, some part of the deficiency being made up in 'doles' provided by municipal authorities and private charity. In Great Britain the reduction was estimated at £131 millions, of which £71 millions, more than one-half, was made up by increased expenditure on unemployment. Mr. Butler thought it reasonable to suppose that this provision helped to prevent stagnation in industry and trade as far as consumer's goods were concerned.

Risks of Unemployment not covered by Insurance. The question of whether even the best and most comprehensive system of insurance can cover all the risks of unemployment in an industrial country has been raised in an acute form during the Depression. In fact the difficulties are not all due to the depression, but were beginning to show themselves before the crisis. The changing character of industry may cause blocks of labour in certain industries to become redundant, and though the younger man may be moved to other

¹ *Op cit.*, p. 364.

² *Unemployment Insurance*, Report of the League of Nations Union Conference, London, Feb. 14-16, 1933.

industries the transfer of men who have been working, say for thirty years, in a mine presents serious difficulties. The case of these men is not really one for insurance, but for pension, or a small allowance with facilities for carrying on some independent job. The case of men of middle age who cannot maintain the increased pace in mechanized industry is another example. Some particulars have been given in earlier pages of what is known as the hard core of unemployment in Great Britain, and it is certain that means must be devised of making provision for these men. Some of the methods adopted in various countries are described in a later section dealing with the mitigation of unemployment. These methods will have to be scrutinized from the angle of their social desirability and less strictly from the purely economic point of view.

5. *Relation between Insurance Schemes and Relief*

Shifting of the line of Distinction. If depression is prolonged and places too great a strain on the insurance system, additional relief to that furnished by the system must be provided. The amount of that additional relief would be lessened if provision was made for optional earlier pensions and by other measures. But there is an actual pressing problem of where and how the line between unemployment payments and relief should be drawn. In Germany it has been attacked from many sides under the stimulus of necessity by emergency measures justified on the plea of necessity. Both in Germany and Italy it is sought to lighten the insurance vessel by pushing women workers out of employment into the home unless they are the only breadwinners. In Great Britain definite separation of insurance and relief is attempted by the setting up of a central Unemployment Assistance Board. In general relief depends on local effort, sometimes subsidized by the State. For able-bodied workers there is general reliance (outside Great Britain) on public employment, in spite of the difficulties and limitations which exist in that field.

The whole question of the relief of unemployment in any society which is not static—and no industrial country, and to-day not even predominantly agricultural communities, are static—is wider than the question of unemployment insurance. Indeed it may be said that the solvency, and therefore, the smooth working of any insurance system, depends in the long run on what other resources of relief, and of social services of all kinds are available. The question is analogous to the wages question. In a highly organized society providing all kinds of ameliorative agencies in life, good educational facilities, good health services, good opportunities for recreation,

provision for old age, and above all a good distributive system, lower wages may give a better standard of living than in undeveloped countries. Similarly insurance works better against a good background of social services. It is outside the scope of this book to deal with these. The International Labour Office has recently rendered a great service by the publication of a comprehensive bird's eye view of these services¹ in the principal countries, with the important exceptions of the United States and the U.S.S.R.

The adjustment of highly developed unemployment insurance systems in England and Germany to the unexpected burdens placed on them is difficult and complicated (see pp 401-5 below). The main question throughout the world is a very different one. It, as the following pages show, is the problem of devising and putting into execution schemes of national insurance adequate to maintain even a reasonable degree of immunity from the worst effects of unemployment.²

Unemployment Insurance Schemes in Different Countries. Unemployment insurance varies very much in scope and in character.

TABLE XC

Schemes of Unemployment Insurance and Relief

<i>I</i> <i>Compulsory</i> <i>insurance</i>	<i>II</i> <i>Voluntary</i> <i>insurance</i>	<i>III</i> <i>Unemployment</i> <i>relief</i>
Austria Bulgaria Germany United Kingdom Irish Free State Italy Poland Queensland Sweden* Switzerland (13 cantons)	Belgium (assisted, but membership for the National Emergency Fund is compulsory for voluntary funds) Czechoslovakia (assisted) Denmark (assisted) Finland (assisted) France (assisted) Netherlands (assisted) Norway (assisted) Switzerland† (assisted) (compulsory in many cantons, voluntary in others) Union of South Africa Wisconsin (U.S.A.)	New South Wales South Australia Victoria Canada Luxembourg New Zealand Saar Territory Latvia Roumania

* Thirteen cantons have compulsory systems.

† Came into force on Jan. 1, 1935.

¹ International Labour Office: *International Survey of Social Services*, Studies and Reports, Series M. No. 11 (1933, Geneva).

² See the *Recommendation (No. 44) of the 18th International Labour Conference concerning Unemployment Insurance and Relief*, and *Draft Convention (Official Bulletin, Mar. 15, 1934)*.

Roughly speaking, the above table shows the type of organization in different countries.¹

Compulsory schemes cover about 38 million persons, of whom about 31 millions are accounted for by the British and German systems;² voluntary schemes cover approximately 4 millions.

6. Policy where there is no General Scheme of Insurance

No General Scheme. It will be seen that in many countries there is no general scheme at all for providing for regular benefit for the unemployed.

United States. In the United States of America, in the year 1932, 12 million dollars were paid out in benefit from voluntary funds—trade-union schemes, joint schemes, and company plans, as the total of unemployed workers was at least 12 millions, it will be seen that the effect of this relief over the whole field of unemployment was negligible. Generally speaking the object of these various schemes of all three kinds has been to provide for short periods of unemployment in a particular industry; they do not meet the case of workers permanently laid off who would be, in many cases, no longer members of the fund.³

In February 1934 the Wagner-Lewis Bill was introduced in Congress to encourage States to set up unemployment insurance schemes. Four of the States had adopted unemployment insurance schemes by the spring of 1935—Wisconsin, Utah, Washington, and New York. The New York scheme, which is to come into force on January 1, 1936, provides for a levy on gross pay-rolls, beginning at 1 per cent. and rising to 3 per cent. The limit of income for insured persons other than manual workers is \$50 a week, maximum benefits \$15, and in no case more than half the weekly wage. In January 1935 Mr. Roosevelt put forward proposals for unemployment insurance on a national scale. The basis of unemployment compensation is to be 'the levy of a uniform Federal pay-roll tax, 90 per cent. of which should be allowed as an offset to employers contributing under a compulsory State unemployment compensation act', the remaining 10 per cent. for Federal and State administration of the scheme. The scheme

¹ It is impossible to do more here than describe two or three representative systems of Unemployment Insurance. For full information on the various schemes see *Unemployment Insurance and various forms of Relief for the Unemployed*, Geneva, 1933, and the supplementary volume with the same title issued in 1934 for the 18th session of the International Labour Conference; *Unemployment Insurance in Overseas Countries*, Part IV of Appendices to the Minutes of Evidence taken before the Royal Commission on Unemployment Insurance (1931), current information bringing these documents up to date is to be found in the *Ministry of Labour Gazette* (London) monthly, and *Industrial and Labour Information* (International Labour Office, Geneva) fortnightly.

² Taking the German figure at the 1929 level of 17,920,000. By August 1933 the number had fallen to 12,503,000, owing to restrictions in the scope of the scheme and the removal from the lists of persons receiving communal relief. *I.L.O. Year Book 1933*, Geneva 1934, p. 240.

³ Lists of the chief schemes of the three types are given by Bryce and Stewart, *Unemployment Benefits in the U.S.A.*, New York, 1930.

is intended to assist employment-stabilization, which may itself be helped by intelligent planning. The compensation system is to be correlated with public employment so that a person who has exhausted his benefit may be eligible for some form of public work.

The outline of these principles has, at the time of writing, still to be filled in, and the future of the proposed measures is in doubt.¹ But the tone of the message shows clearly that the difficulties of European systems have been studied and that the aim is to set up positive safeguards against dismissal or leaving jobs, and, where insurance is exhausted, to rely on public works rather than on direct relief.

Other Countries. The Soviet Government makes no provision for unemployment, though social services for other purposes have been extended. The reason is that unemployment is not on a large scale, and in any case is not officially recognized. In no Far Eastern country has any system of unemployment insurance been established. The Royal Commission on Labour in India concluded that no system of unemployment insurance with which they were familiar was feasible under Indian conditions. Although there is no unemployment insurance in Japan, dismissed workers receive a discharge indemnity. This indemnity was customary, but has been placed on a legal basis. It was proposed in the autumn of 1933 to make the obligatory notice longer than a fortnight and to increase the indemnity in lieu of notice to thirty days' wages.² Replying to the International Labour Office questionnaire in 1934, the Japanese Government agreed that 'giving employment to the unemployed, and providing them with pecuniary benefit is in certain forms desirable', but they were not able to suggest any suitable scheme.

In South Africa a Government Bill was introduced on March 28, 1934, to cover skilled white labour in certain specified industries, but was withdrawn, and an amended scheme was laid before Parliament in 1935. In Canada also the Dominion Government has introduced a bill for the provision of insurance.

7. *Relief where there is no Unemployment Insurance Scheme*

Countries in the third group on page 395, where the unemployed depend mainly on relief, employ various means for raising the necessary

¹ The Economic Security Committee's Report suggests a waiting-period of four weeks, a 50 per cent. compensation-rate, up to a maximum of \$15, an eventual 3 per cent. contribution-rate, for employers, but less in the first two years, a maximum benefit-period of sixteen weeks, with an additional week for each six months of employment without drawing benefits. There are suggestions for contracting-out of employers already maintaining employment funds. In May 1935, it was stated that 79 bills had been introduced into State legislatures for various forms of insurance, in accordance with the terms of the Economic Security Bill (for particulars see *Industrial and Labour Information*, May 27, 1935). For details of New York State legislation see *Ministry of Labour Gazette*, June 1935, p. 214.

² International Labour Office: *Industrial and Labour Information* (Dec. 4, 1933, Geneva).

funds and have varying methods of expending them. All of them lay stress on re-employment on works of general utility; the experience of most of them, however, showed that as unemployment became more serious larger sums had to be spent on direct relief. The effort to secure adequate employment by way of public works are shown elsewhere.

United States. In 1929 the provision of relief in the United States amounted to about \$85 millions, of which one-third was provided by charity and two-thirds from public sources. In 1930 examination of the position in 70 large cities showed that charitable effort formed a lower proportion of the whole. Relief by State Governments increased in 1931. The State of New York was the first to establish a Temporary Emergency Relief Administration, and many States followed suit. The difficulties were enhanced by the total inadequacy of the existing machinery. Untrained helpers pauperized some families and neglected others; direct relief in cash made adults reckless, and gave the children 'the gimmes';¹ public and private relief organizations failed to co-operate, and were indeed in constant conflict on many aspects of the problem. Federal aid was provided in July 1932 by the grant of \$300 millions in loans to the States for purposes of relief, rather more than half of which was spent when President Roosevelt took office in 1933. To cope with the cost of direct relief on a nation-wide scale the Federal Relief Act of May 12, 1933,² set up the Federal Emergency Relief Administration and appropriated \$500 millions for relief. The Act prescribed that half of the appropriation was to be used to reimburse a proportion of the public expenditure on relief of States and local authorities, and the other half at the discretion of the F.E.R.A. The proportion of Federal grants to State-raised funds ranged from 11 per cent. in Connecticut and 15 per cent. in Maine and Wyoming to nearly 100 per cent. in Arkansas, Louisiana, and South Carolina.³ Grants were also made for the purchase of surplus agricultural produce for distribution, such as flour, cheese, butter beans, canned beef, and pork, and for the assistance of 'transients'.

In March 1933 more than 4½ million families were in receipt of relief, in June 1934 3,716,000 families and 512,700 single persons, covering 16,597,000 persons or 13·5 per cent. of the total population, expenditure in that month reached \$125 millions.⁴ Throughout the period efforts were made to provide relief in the form of work (see Chap. IV). In the unemployment survey published in October, 1934, the American Federation of Labour stated that 2 million persons had emergency work from Government funds; 3,167,000 were on direct relief, and 5,658,000 were dependent for support on relatives, private charity, or savings.⁵ Emergency relief expenditure (obligations

¹ Williams (James M.), *Human Aspects of Unemployment and Relief* (1933, University of North Carolina Press), p. 28.

² For the text see *National Recovery Measures in the United States*, International Labour Office (1934, Geneva).

³ Steel-Maitland (Sir A.), *The New America* (1934, London).

⁴ *Report of the Executive Secretary to the President*, Aug. 25, 1934.

⁵ *The Times*, Oct. 18, 1934.

incurred) in the United States, derived from public funds, amounted for the year 1934 to \$1,481 millions, or about twice the 1933 expenditure of \$792 millions. In 1933 sixty-one per cent. was provided by the Federal Government, in 1934 72 per cent.

The Presidential Message in January, 1935, expressed the hope that by June the necessity for emergency relief would be over, and that the unemployed would be absorbed either by industry or by the public works schemes. Reliance was still placed in the main on work relief. For the new Work Relief Act of 1935 see pp 312-13 above.

8. *Voluntary Schemes*

The countries grouped in column II on page 395 have voluntary insurance schemes, some fairly comprehensive, and others covering only a part of the field of unemployment. Voluntary insurance schemes in many countries cover only trade-union members, who are on the whole less liable to unemployment than the unorganized workers. In bad times, therefore, the system does not work very well, and some public relief must be arranged outside the schemes. There is nevertheless some reluctance on the part of organized workers to abandon the method, because the administration of the fund through the unions provides a strong incentive to membership.¹ It has been suggested that the position of trade unions in countries with voluntary systems has suffered less than elsewhere. The basis of voluntary schemes is members' payments supplemented by Government grants. The employers, if they contribute, do so by a special fund, as in Denmark, where this fund is used for emergency benefit. The strain on voluntary funds in the crisis has been severe, and they have had to rely more and more on Government assistance.

France. The French system is unique. State-aided unemployment funds have been in existence since 1905. Their operation is intermittent. During the recent depression their numbers have largely increased.²

In France unemployment relief is derived either from local unofficial bodies of the nature of mutual aid societies, attached generally to trade unions, with a membership of about 200,000, or from municipal and departmental *fonds de chômage*. These unemployment funds, or branches of them, exist in all towns of over 50,000 inhabitants and in most towns of over 15,000 inhabitants, but the greater part of the remaining 37,700 communes have no provision at all, partly perhaps because the out-of-work man can generally find some work in agriculture. On February 15, 1934, there were in existence 1,313 *fonds de chômage*, of which 737 funds, covering 2,087 communes, were active. In the department of the Seine, where a large proportion of French unemployment is concentrated, the

¹ Even where the trade-union fund forms the insurance unit, arrangements may be and are made for the admission of unorganized workers to the funds, as in Denmark.

² For details see United Kingdom: Department of Overseas Trade: Cahill (Sir R.), *Report on Economic Conditions in France* (1934, London, H.M.S.O.).

weekly payment is 8.50 frs., of which 7 frs. is provided by the State, 1 fr. by the Department, and 50 c. by the Municipality. In general the State contributes from 60 to 90 per cent. of the total cost of payment according to the degree of unemployment. The State also contributes from 33 to 40 per cent. of payments out of unofficial funds. In addition many municipal authorities provide relief work and relief in kind out of their own resources.¹

Switzerland. The Swiss system, which is on a cantonal basis, has been steadily reinforced by the participation of the Federal Government, under legislation dating from 1924 onwards. Switzerland stands half-way between the voluntary and the compulsory systems. There are two types of funds, both of which may receive Federal subsidies: joint funds (employers and workers), trade-union funds (managed by the workers). The amount of the subsidy may be 40 per cent. to the first, 30 per cent. to the second. All the 25 cantons have adopted unemployment insurance legislation; 13 of them have compulsory systems. Agricultural workers are not included, the reason given by the Swiss Government being that employers would in that case more readily discharge their workers at the approach of winter.²

Finland. A Finnish Act of March 23, 1934, which came into force in January 1935, lays down new conditions for the payment of subsidies from the State to unemployment funds. The Act aims at the complete separation of unemployment insurance funds from the trade unions, who have hitherto controlled most of the funds. Under the Act, membership of the unemployment fund cannot be made dependent on membership of any other funds.

Denmark. In Denmark unemployment insurance is based on voluntary funds connected with the trade unions, with arrangements for the admission of workers outside the unions. Public grants to the funds vary from the equivalent of 90 per cent. of the members' contributions in low-wage trades to 15 per cent. in those with high wages. A certain latitude is given for continuation-benefit in periods of heavy unemployment, and for this purpose grants are made from a national emergency fund to which employers make very small contributions. There has been legislation for temporary relief where these means prove to be inefficient.³

These examples show the variety of the provision made. All systems⁴ have been much changed under the pressure of heavy unemployment, and the tendency is to rely more and more on State aid, which means

¹ Mr. D. C. Tart, in a speech at the League of Nations Union Conference on Unemployment Insurance, Feb. 1933.

² Report II to International Labour Office Conference, 1934, p. 41. For an exhaustive discussion of the principles of the Swiss systems see Spätes (T. G.) and Rabinovitch (G. S.), *Unemployment Insurance in Switzerland: The Ghent system nationalized with compulsory features* (1931, New York, Industrial Relations Counselors).

³ Information supplied by Professor Zeuthen, in a note to the Study Group.

⁴ For changes made in Austria, Belgium, Czechoslovakia, the Netherlands, Poland, and other countries see the International Labour Office *Year Book*, 1934, pp. 239 seq. For recent changes in the Belgian system see *Industrial and Labour Information*, Feb. 18, 1935.

increasingly stringent central regulation. The tendency of voluntary schemes is to distinguish more sharply between moderate unemployment which may be met on an insurance basis out of insurance funds and chronic unemployment which requires State relief.

9 *Compulsory Unemployment Insurance*

The two countries which hitherto made the widest provision for unemployment insurance are Great Britain and Germany. The relative importance of the English and German systems is shown by the figures on p. 396.

Both systems have suffered severely by the depression and both have had to be recast.

Changes in the British System. The British Act of 1934 makes considerable alterations in the system laid down by the parent Act of 1920 and subsequent amending legislation. The Act is still a matter of controversy, and it is as yet by no means clear how its various provisions will work out. The Act makes a clear distinction between unemployment insurance and unemployment relief, with a view to maintaining the solvency of the Unemployment Fund, which remains as before on a tripartite basis as regards the contributions of employers and employed and the State. Part I of the Act sets up an Unemployment Insurance Statutory Committee to report each year on the financial condition of the fund and to make recommendations on rates of contributions and on the rate and duration of benefit. Provision is made for debt-repayment within a period of forty years. This means an annual debt-charge of £5½ million per annum. The Statutory Committee has power to consider the extension of insurance to farm labourers and other classes of workers at present excluded.

The cuts made in insurance benefit are restored, and benefit is 26s. a week for a married couple with an additional 2s. for each dependent child ¹

¹ The changes made by the restoration of the cuts are as follows:

TABLE XCI

Age	Males		Females	
	Old weekly rate	New weekly rate	Old weekly rate	New weekly rate
	s. d.	s. d.	s. d.	s. d.
16-17	5 6	6 0	4 6	5 0
17-18	8 0	9 0	6 9	7 6
18-21	12 6	14 0	10 9	12 0
21 and upwards (or 18 and upwards if in receipt of dependant's benefit) .	15 3	17 0	13 6	15 0

The weekly rate of dependant's benefit for an adult dependant is increased from 8s. to 9s. The weekly rate for each dependent child remains at 2s. *Summary of Unemployment Act* (1934, London, H.M.S.O.), p. 2. See also the account of the changes made by the Unemployment Act of 1934 in the *Ministry of Labour Report for 1934* (Cmd. 4861 of 1935, London, H.M.S.O.).

The possible duration of benefit is extended from twenty-six weeks in a year to a period up to a maximum of fifty-two, the extension varying according to the number of contributions paid by the claimant in the previous five years.¹ The gap between the school-leaving age and entry into insurance is closed, and the Ministry of Labour has power to compel attendance of juveniles in search of employment at the instructional centres, provided by the local Education Authority or by the Ministry of Labour. Contributions until the juvenile worker reaches the age of 16 are at the rate of 2d. per week for the employer and the worker, and the benefit begins to be payable at the age of 16.

Relief Centralized Part II of the Act deals with Unemployment Assistance, transitional benefit² as such ceasing to exist. A new central authority, the Unemployment Assistance Board, takes over from the Public Assistance authorities their former duties in respect of transitional benefit and also the administration of out-relief to the able-bodied unemployed. The Board will work through its own local officials, from whose decisions there is a right of appeal to local appeal tribunals. But much of the work of the Board will be done through the agency of the employment exchanges, i.e. the taking of applications and the actual payment of the relief. The cost of relief is at the charge of the Exchequer (which was already responsible for transitional benefits) and of the local authorities, who make some contribution calculated on the extent to which their finances are relieved. About 95 per cent. of the charge will fall on national funds. The Board, co-operating for the purpose with local authorities and voluntary organizations, will be responsible for maintaining the employability of the unemployed by the organization of courses of instruction, &c., as well as for cash benefits. The needs-test assessment of the resources available to the household (taking into account any special needs, such as fares, or clothes for black-coated workers) is maintained for the payment of unemployment relief, but the Board is not bound to the minimum of statutory benefit, and may make provision for all but medical services. In assessing need the first 20s of wound or disability pensions and the first 40s of maternity benefit are not included. The 1934 budget makes provisions for an additional expenditure of £3,600,000 for relief.³ The 'standstill' following the difficulties encountered by the Public Assistance Board involved further charges.

Finance of British Fund. The payments in and out of the British Unemployment Fund in the year 1932-3 are shown in the following table.⁴

¹ For a statement of the conditions under which benefit is payable and the status of the various applicants in March 1935 see Appendix XVIII.

² Payments over a further period after the right to benefit has been exhausted. The term disappears under the new Act. The German equivalent is *Krisenfürsorge*—emergency relief.

³ For details of the changes made see *Unemployment Bill*, Explanatory Memorandum on Clauses, C. 4602 (1934, London, H.M.S.O.). For the conditions under which unemployment benefit and unemployment insurance are payable see Appendix XVIII. ⁴ House of Commons, No. 13 of Session 1933-4.

TABLE XCII
Insurance Account, 1932-3

<i>Receipts</i>	£	<i>Payments</i>	£
Contributions including		Benefit	50,393,127
Exchequer contribution	57,638,042	Other payments	3,998,191
Other receipts	21,328	Administrative expenses	4,213,315
Deficiency Grant from		Interest on Treasury Ad-	
Exchequer	6,363,376	vances	5,418,113
	<u>£64,022,746</u>		<u>£64,022,746</u>

TABLE XCIII
Transitional Payment Account

<i>Receipts</i>	£	<i>Payments</i>	£
Exchequer Grant	53,785,682	Transitional payments . .	48,270,531
		Repayments to associa-	
		tions and public assist-	
		ance	2,129,169
		Administrative expenses	3,385,982
	<u>£53,785,682</u>		<u>£53,785,682</u>

The total expenditure from the Unemployment Fund for the calendar years 1931-4 showed a reduction from £125 millions in 1931 to £96 millions in 1934. On December 31, 1934, the total amount of Treasury advances outstanding was £105·7 millions at an average rate of interest of £4 12s. 9d. This debt stood in 1933 at £115 millions.¹

Changes in the German Unemployment Insurance System. Great changes were made in the German insurance scheme in 1932 with a view to making the scheme solvent. An enabling decree of June 14th was followed by two decrees of the 16th and 17th fixing new rates of benefit and making changes in the conditions attached to their payment. The duration of standard benefit had already been reduced in October 1931 from twenty-six to twenty weeks. The new system was very complicated. Instead of a uniform scale applicable to the whole country, there were three scales based on the differences of the cost of living in large, medium, and small towns respectively, differences superimposed on existing differences in benefit according to wage-groups. Rates of benefit were reduced by amounts varying in different groups and according to locality, the average reduction being

¹ For a further account of the finance of the Fund see Ministry of Labour Report (Cmd. 4543 of 1934, London, H.M.S.O.), pp. 76-7. It will be seen that expenditure on Transitional Payments, financed wholly by the Exchequer, increased from £27·6 millions in 1931 to £54·4 millions in 1933, in spite of the savings effected by the application of the Means Test. That improvement in employment in 1933 was not reflected in this expenditure is due to the transfer of persons long unemployed to transitional benefit.

estimated at 23 per cent. Similar rates of reduction were applied to transitional payments (*Krisenfürsorge*) but, in the latter case, they were maximum rates, and they must in no case be higher than local rates of poor-relief. Moreover, the Means Test, which had hitherto been applied only to married women, was now applied to all insured persons from the seventh week onwards. Its administration was removed from the employment offices to the local authorities dealing with poor-relief. In the winter it became necessary to give supplementary winter benefits to unemployed persons in the lower wage-classes. Further provision was made by extending, until the end of March 1933, transitional payments to those who were in receipt of such benefit on November 28, 1932, or were admitted after that date, even if their statutory rights were exceeded.

*Finance of German Scheme*¹ The position of the German Insurance Fund is shown in the following table:

TABLE XCIV

Expenditure and Own Income of the German Unemployment Insurance Scheme in the Financial Years 1928-32*

(million marks)

<i>Financial year 1 Apr -31 Mar.</i>	<i>Expenditure</i>	<i>Own income</i>	<i>Deficit (-) or Surplus (+)</i>
1928-9	1,192	843	- 349
1929-30	1,338	890	- 448
1930-1	1,807	1,194	- 613
1931-2	1,266	1,289	+ 23

Source: Weigert (Dr. O.). 'The Development of Unemployment Relief in Germany', *International Labour Review*, Aug. 1933, p. 169.

* Excluding the cost of administration of the transitional payments (*Krisenfürsorge*).

The surplus available for 1931-3 was devoted to transitional payment and local assistance. The cost of transitional payments reached the figure of 955 million marks in 1932, and the greater part of this expenditure had to be met by the Federal Government. The money was found partly by surplus from unemployment insurance and partly by a special tax levied on all salaried persons, whether they are included in insurance or not.

Further changes were made in 1933. The burden on the insurance fund was lightened by the exclusion of domestic servants, of all persons employed in agricultural undertakings, forestry, and fisheries. Coal-miners and their employers resumed their contributions, which had been paid since 1931 by the Federal Government by way of assisting the industry. The cost of transitional payments, which had been met mainly from Government funds, was

¹ A recent account of the German system is to be found in Oscar Weigert, *Administration of Placement and Unemployment Insurance in Germany* (1934, New York, Industrial Relations Counselors).

transferred to the Insurance Fund, but the Government assumed responsibility for local unemployment-relief payments in excess of 27 million marks paid out by local authorities. In December 1933 the waiting-period for benefit was reduced to 14 days, 7 days, and 3 days, according to the number of dependants, and was abolished entirely for workers who had spent six months in the Voluntary Labour Service. The results of prolonged unemployment and of a series of administrative changes are seen in the changed proportion between the numbers of persons in receipt of the various forms of assistance, a shifting from standard benefit to public assistance and charity. The lessened expenditure out of unemployment funds led to the necessity for 'voluntary' subscriptions to 'Winterhilfe' schemes in the winters of 1933-4 and 1934-5. The effect of changes in insurance-payments and of the reduction of unemployment by the various work-schemes are shown in the improved position of the Unemployment Fund. In March 1935 it was stated¹ that payments of benefit, &c., which had cost RM. 2.2 milliard in 1933-4 were estimated at RM. 1.3 milliard for the year 1934-5. Budget expenditure for unemployment, which was RM. 800 million in 1932-3, was RM. 400 million in 1933-4, and, in the current financial year, it was expected that the Unemployment Fund would require no subsidy from Budget funds, and would show a surplus. The situation is shown in Appendix V.

A committee of experts to consider the reform of the social insurance scheme in accordance with the changed conditions in Germany under the National Socialist Government held its first meeting on March 7, 1934. The questions under discussion were:

'Whether preference should be given to insurance or relief, and to all-in insurance or maintenance of the separate branches of insurance; whether insurance should be organized on a territorial or occupational basis, collaboration between insurance institutions; adjustment of benefits to the needs of the different occupational groups; supplementary insurance; autonomy of social insurance and direction by the State; and the function of the medical profession in the scheme of social insurance.'²

Italy. The Italian system is universal for industrial workers. It has received no grant from the State since the first two years of its existence.

'Some 4,500,000 workers were covered by the system in 1931. A considerable reserve fund has been accumulated as a consequence of the rates and duration of benefit being strictly limited and kept low relatively to contributions. Even in 1930, a year of economic depression, the total receipts of the fund exceeded the total expenditure by more than 50,000,000 lire, and the reserve fund was increased to a total of approximately 905.8 million lire—a sum more than seven times as great as the total expenditure of the fund in 1930 and nearly nine times as great as

¹ *Frankfurter Zeitung*, March 22, 1935: Report of the Deutsche Bau- und Bodenbank on the provision of work.

² See *Industrial and Labour Information* (May 14, 1934, Geneva), p. 240.

the amount (101·9 million lire) paid out in unemployment benefits in that year. This latter sum was by far the greatest amount paid in benefits in any year since the inception of the system. Expenditure on benefits in 1931 and 1932 was certainly greater. In 1931 the number of daily benefits paid was nearly twice as great as in 1930. The highest total previously reached was 84·6 million lire in the fiscal year 1921-1922. By 1925 the amount paid in benefits had reached its lowest point (14·1 million lire) from which it rose to 65·8 million lire in 1927 and then fell to 59·1 million lire in 1929. Administrative expenses, which amounted to 9·7 million lire in 1927, fell to 9·0 million lire in 1928 and then rose gradually to 13·7 million lire in 1930. Provision was originally made in the Italian system (by Decree of 21 April 1919) for a contribution of 40 million lire per year from the State to the Unemployment Insurance Fund, but this contribution was paid only for the fiscal years 1920 and 1921.¹

The contributions of employers and employed are paid into the Social Insurance Fund, which embraces the contributions made to all other forms of social insurance. That Fund is empowered to use unemployment funds up to a certain percentage for the provision of employment by the execution of public works. Unemployment benefit is small in amount and the period of benefit strictly limited. Agriculture, which is responsible for a large proportion of persons registered in the total of unemployment, is outside the scheme. In fact a large part of the necessary relief for distress arising out of unemployment among wage-earners and poverty among peasants and artisans is found from various communal charitable funds allocated for the purpose and from funds subscribed by workers, clerks, and officials who are members of Fascist organizations. Part of the money subscribed is spent locally, and part is sent to Fascist head-quarters and distributed where it appears most necessary without political considerations. Relief is largely given in kind.

¹ *Unemployment Insurance and Various Forms of Relief for the Unemployed*, International Labour Conference, 17th Session (1933, Geneva), p. 185.

CHAPTER XI

SOCIAL SERVICES FOR THE UNEMPLOYED

1. *Importance of Recreation*

EVEN before unemployment reached the unprecedented dimensions of recent years the necessity of services to provide for the maintenance of the physique and the morale of the unemployed men and boys was recognized. The magnitude of the problem during the slump has made provision of this kind a serious preoccupation of Governments and of social workers, and has been the mainspring of a body of effort remarkable in extent and variety.

For Employed and Unemployed Workers. Before the recent crisis provision for education and recreation was not generally specially orientated towards the unemployed but was designed to serve the whole body of workers, whether employed or unemployed; and an important principle of well-directed social organizations for recreation established during the slump is that they shall be so designed as to be suitable and available eventually for all workers, and of permanent usefulness even in good times. That permanent usefulness can only be secured with the support of the workers themselves; it follows that the organizations sponsored or energetically supported by them have the best chance of permanent success. Educational and recreational facilities designed for use by employed persons in their ordinary leisure can be utilized more fully by the same persons when they are unemployed and have too much spare time on their hands. They have the further advantage of avoiding the segregation of the unemployed. It is profoundly important that these men should feel that they are still an integral part of the working force, sharing its responsibilities and interests, even if they are temporarily laid off from daily work. The tendency towards shorter hours makes spare-time organizations of increasing importance, and extension of their activities may be very valuable when the present urgent need of providing occupation and recreation for masses of unemployed persons is over.

Provision by Employers. There are many welfare organizations of long standing attached to particular firms, in which sports-grounds, gymnasia, lectures, and classes are provided for workers, with or without contributions on their part, by enlightened employers in many countries. They have been especially useful in great cities where playing-fields must be provided at a distance at an initial capital cost which cannot well be met by the workers. The great variety

of welfare-work includes provision by Japanese cotton firms of dormitories and cheap food, of housing and every form of recreation by the Bata factories, of modern garden cities by British firms. Provision by employers is undertaken in the interests of the workers, but with the additional object of securing the loyalty and the permanence of an experienced labour force. When the man or woman falls out of work he or she, as a rule, necessarily ceases to share the advantages. There are exceptions, as when Mr. Ford provided small holdings with the idea of giving a man something to fall back on when the workshops were slack. But, generally speaking, employers' welfare organizations cannot serve the unemployed, and they have been regarded with tempered enthusiasm by organized labour as tending to undermine the strength of trade-unionism and the independence of labour.

Wider Provision. Something wider than the provision made by individual firms is needed—something which will help the unemployed man to feel he is still a useful member of society and that he is using his enforced idleness to make him more fit to do his work when there is work; otherwise, unless he has extraordinary strength of character, he will develop the unemployed mentality, the sense that he is a misfit in society. If that provision has to be made by Governments exclusively for the unemployed there is inevitably a degree of segregation, which accounts for some of the suspicion with which the best efforts are received. That is practically unavoidable under present circumstances because of the great numbers of unemployed. But there are no such drawbacks to permanent education or welfare organizations with or without Government or outside help. The most effective type is probably that which organized labour has a direct interest in supporting.

The Miners' Welfare Fund of Great Britain, which is provided from a levy on output and a levy on royalties imposed by the Mining Industry Act, 1926, is an example of a welfare association officially financed by the industry as a whole. That part of the income derived from the Royalties Welfare Levy, with some contributions from the General Fund, is devoted mainly to the provision of pithead baths, but in addition there are health and education services. By the end of 1932 a considerable sum, amounting to approximately £4½ millions, had been allotted to recreation. Indoor recreations include institutes, halls, clubs, libraries, and swimming-baths. Outdoor recreation includes sports-grounds, swimming-baths, colliery bands, &c. The total expenditure of the Fund in the first twelve years of its existence was over £8 millions.¹ The principle of this organization is

¹ *Ministry of Labour Gazette*, Apr. 1933, p. 127.

an admirable one, and its extension to other industries seems desirable but is by no means simple. Few industries have the local concentration and the degree of isolation from other occupations which exist in the mining industry. Nor is there in other industries a similarly obvious fund from which the money may be drawn.

2. *Facilities for Education*

Too great importance cannot be laid on the ordinary provision for adult education and recreation in the widest sense available without distinction of the status of the man in respect of employment. The classical example of the benefits to the community at large of a well-considered, democratic system of education for adults is the movement in Denmark in the nineteenth century, inspired by Grundtvig, for the Folk High Schools, which advanced culture through all strata of the population. A similar system arose in Sweden. The great drive against illiteracy in the Soviet Union, especially in Siberia and Central Asia, involves much provision for the education of adults. In many countries opportunities of study are offered by evening classes conducted by the education authorities. A great deal is also done by voluntary associations for simpler educational work, and for more advanced study more nearly approaching university standards, the latter with the assistance of the university authorities. This is not the place to describe the various opportunities afforded.

Special Requirements of the Unemployed. The relevant question is whether normal educational provision meets the needs of the unemployed man. It is true that his attention is necessarily centred on the search for a job and that it is hard for him to give the necessary concentration to intellectual work. The experience of settlement and other workers in Great Britain is, in fact, that the standards set in the classes ordinarily provided are too high for a great number of unemployed persons, especially for the casual workers who are among the last to be reabsorbed. Many courses of instruction, originally mainly devised for the working classes, have attracted a large number of middle-class students. In any case they tend to attract the higher strata of the working classes themselves. Experience has shown the necessity of some less ambitious additional classes. But the crisis has also shown that large numbers of men, who ordinarily have insufficient leisure for the 'home-work' essential for the full use of the courses provided by the Workers' Educational Association and other bodies, are anxious to attend during unemployment.

The work accomplished in South Wales provides an instructive example. At the beginning of the depression it appeared that the

activity of the Workers' Educational Association would be retarded at the moment when it was most urgent that it should be developed. In South Wales, where the association was strong (and where the Labour College also had a strong hold), the W.E.A., on account of the poverty of the area, fell into serious financial difficulties, from which it was rescued by grants from various sources. The various educational bodies united their forces. The South Wales Joint Committee was formed, including persons interested in university education and the Workers' Educational Association, the Young Men's Christian Association, the National Council of Music, the drama movement, rural community councils and settlements, and officers of the local educational associations and the Board of Education. Sums of money were allotted for definite purposes to the various organizations concerned: one-year classes and terminal classes by the W.E.A., similar classes in music by the National Council of Music, and short terminal courses and popular lectures by the Y.M.C.A. In 1932-3 the regular courses of the W.E.A. were attended by 4,000 students, and 3,000 students at specially organized one-day schools; attendances at Y.M.C.A. lectures were 70,000. The work done by the music students was evidenced at the Three Valleys Festival, the fifth of which was held in 1934¹

South Wales shows what can be done by combined and determined effort of official education authorities and voluntary bodies in a field which will retain its importance in better times.

3. *Organization of Leisure*

In no country has the organization of leisure for the workers, young and old, been carried to a higher degree than in Italy. This is strictly work undertaken in connexion with employment and is not connected with the unemployment crisis. It is rather a great effort to promote education and recreation among all workers, young and old, in a country which had a relatively high proportion of illiteracy. It is true that in the Italian system political and cultural objectives are mixed; nevertheless there is much to be learnt from the movement.

Supervision of the work is concentrated in the 'Opera Nazionale Dopolavoro' for adult manual and intellectual workers, and the 'Opera Nazionale Balilla', the former of these being concerned with education and recreation generally, and the second with physical

¹ For further particulars of the work accomplished in South Wales see Watkins (Percy E.), 'Adult Education among the Unemployed in South Wales', in *The Year Book of Education*, 1935, pp. 664-83.

drill, education in civics, and in part also pre-military training for children and young persons. The legislation creating the Dopolavoro is based on the principle that the Italian nation is superior to the individuals, or the groups, of which it is composed. It is a political and economic unity, which finds its realization in the Fascist State. Work is a social duty and the economic, physical, and cultural conditions of the worker are a matter of national interest. Therefore the Dopolavoro is an essential part of the work of the unitary State, and the Secretary of the Fascist Party is the President of the Dopolavoro. The work undertaken has undoubtedly done a great deal to improve the education and the conditions of the workers, especially in the villages and in the simpler kinds of labour. The work is especially important because of the comparatively high degree of illiteracy, especially in certain southern districts. The centres differ very much from one another according to the resources of the workers and employers concerned. Obviously the club attached to a large bank, where the employees are able to make substantial contributions, is a different affair from the village Dopolavoro, or the Dopolavoro of a big building-firm.

Sport plays a very large part in the activities of the Dopolavoro, and in the principal centres there are extensive sports-grounds and good gymnasia. The sport-organizations include a provision for excursions to the seaside, and in the winter especially to the mountains for winter sports. These excursions are facilitated by a 50 per cent. reduction on the railroads for groups of at least fifty members, with reductions also for water and road transport. Free entry for groups of Dopolavoro members in museums, &c., insurance against sickness, and reduced charges in many hotels are provided. Full attention is given to the arts as a means of recreation. Some of the richer societies have excellently equipped theatres, and many large works have adequate halls fitted with a good stage. The Federation of Dopolavoro has its own school of dramatic art providing technical courses in the different sides of theatrical work, which students can use to advantage in their local centres. Choral singing, brass bands and string orchestras, cinemas and the radio play a large part.

Courses of definite instruction given by the Dopolavoro are different from courses provided in the ordinary schools, because the instruction is explicitly designed to assist the workers, either in the particular trade or craft in which they are engaged, or in other general civic and social duties. In the country the Dopolavoro is designed to raise the level of culture of the peasant and the labourer, to provide instruction suited to his requirements, and to make the village attractive and

provide many of the advantages of town-life, and also to raise the standards of living in the sense of encouraging better hygienic conditions in the home. In fact, in due course, the system should place the rural worker on something like the same cultural level as the town-worker.

The Dopolavoro organization forms a link between the public assistance organization and its members, and provides various kinds of health-assistance.

Russia. In Russia one of the preoccupations of the Soviet Government is the provision of 'cultural' facilities—cinema, theatre, classes, physical training, clubs, &c.—for workers. These facilities are provided on a large scale where there are large works employing large numbers of workers, but they are also extensively available in small places, and for the workers on collective farms.

In both these cases it may be objected that the aims of the movement are too much directed towards inducing what are called in Japan 'right thoughts'. A democratic country must not allow either education or recreation to be tainted in this way. But some provision there must be if leisure is not to be left entirely to commercialized amusements, the deficiencies of which are obvious.

Great Britain. In Great Britain the National Council of Social Service, through its Unemployment Committee, has taken a leading part in providing occupation. Although the centres deal to a certain extent with ordinary education and with manual instruction, there is a difference between them and the centres established by the Ministry of Labour for training for industry. The Committee think that it is important that manual instruction given in those centres should be thought of as education for leisure, and that if it comes under any official direction, it should be from the Board of Education. Experience has shown that the problem of helping with knowledge and skill the ordinary unemployed workman is quite a different one from the training of young persons who have not had the discipline of ordinary employment. The older men have had this discipline, and the instruction given should be regarded as helping the use of leisure.¹

There are considerable difficulties in deciding on the kind of occupation which can be provided, because of the various rules that the work done must not be such as would otherwise be undertaken by workers paid for doing the job.

'But besides activities of recreation, and of enabling men to do little jobs for themselves and their families, and of education in all forms, many

¹ Lindsay (A. D.), 'Unemployment: the Meanwhile Problem', *Contemporary Review*, June 1933.

centres have gone on to undertake service for the community. Men have given their work voluntarily to construct or make things as a gift to their community, playing-fields, gardens, club-huts, equipment for hospitals and nursery schools, etc. These activities are based on the one hand on the principle that in any community there always are many things which are well worth doing which will not be done by the ordinary working of the economic system, the doing of which by the unemployed will not affect those in employment—just as we saw that the work of the leisured class is socially effective just because it does things which would otherwise be done and which yet are sometimes more valuable than the work that is paid for. To distinguish such pieces of work is not easy: it can certainly not be done wholesale. It needs investigation and examination of each particular job. But experience shows that the distinction can be made and sustained, if it is done on the right lines and with care. On the other hand, this kind of communal work has been found to give to those who engage in it an ultimate satisfaction which perhaps none of the other activities already described can give. For it does more than release initiative and individuality, it restores to men their social importance and their public place in the community, giving them responsibility and an honourable and honoured function. It is as restoring as compulsory relief works are degrading.¹

The movement for setting up occupational centres has been extraordinarily spontaneous and has taken different forms in different parts of the country.² At the beginning of 1933 about 700 schemes were in operation, and in January there were something like 100,000 unemployed persons attached to these centres. In March the number had increased to 200,000 and in May to 300,000. Especially necessitous areas can be given grants from the National Council Funds, and the Ministry of Labour contributes towards such grants, £ for £,

¹ *Ibid.*

² The 13th *Annual Report* of the National Council of Social Service states that at the end of March 1933 the Council was in touch with 700 schemes for occupying and training unemployed, and nearly a quarter of a million were benefiting from such schemes. The work is carried out with assistance from the Carnegie United Kingdom Trust, from various education associations and authorities, and with a small grant of £10,000 from the Government. The National Council does not receive the support of the General Council of the Trade Union Congress, because such support might be regarded as condoning Government action in placing responsibility on a voluntary organization. The General Council thought it undesirable that the unemployed should be segregated in special classes, and referred to the facilities already provided by the Workers' Education Association, the National Council of Labour Colleges, and the National Council of Sports Associations, but while the Congress gave no definite support to the National Council of Social Service, they recognized that special provision for the unemployed was necessary, and proposed that conferences should be held in industrial districts to hear the views of the unemployed themselves of what should be provided.

up to £50,000. The work is being further encouraged by grants made by the Commissioner for the Special Areas to the organizations concerned.

4. *Education for Unemployed Young Persons*

The urgent side of the provision of educational facilities is, of course, in connexion with juveniles. The adult worker, with formed habits of regular work and discipline, may deteriorate if idleness is prolonged, and may have to be 're-conditioned' before he is again fully efficient; but the unemployed boy or girl never even has the opportunity of acquiring the habit of industry. All over the world thousands of young entrants into the labour market, having reached the required standard in the public elementary schools, have found themselves either workless or in blind-alley occupations, where they will be replaced in time by younger entrants. Apprenticeship has probably never been at a lower ebb, partly on account of reduced demand, partly because of the changing structure of industry, partly because the often unemployed parents cannot meet the loss of earnings.

Continuation Classes. In many countries central and local authorities, acting frequently in collaboration with unofficial bodies, are tackling the problem. Normal vocational-training facilities, which have been a commonplace of many national educational systems over a period of years, are everywhere being extended and supplemented. Something has been said in the section on the Organization of the Labour Market on the question of the raising of the school age. The provision of continuation-classes for young people who have left school and have entered or are about to enter industry means that when they are unemployed they still have some occupation. This is true of state-provided continued education; it does not apply to continuation-classes provided in the factory, by which they cease to benefit if they become unemployed. Or, as in the new British insurance legislation, and in legislation in some other countries, attendance at a centre may be practically compulsory for unemployed boys and girls under the age of 18 whether in receipt of benefit or not. In Belgium the obligation is extended to the age of 21.

Character of Instruction given. The question arises whether the education provided in continuation-schools should be of a vocational character. There appears to be a general consensus among educationists in Great Britain that, though there is a place for vocational training among certain classes of young workers, the claims of a wider education both of body and mind are the most urgent. This does not mean that technical education and manual work, as useful

and acceptable disciplines, are excluded, but it is suggested that under present conditions of employment which include many simple operations, in which facility is readily obtainable in actual practice, purely vocational education has a more limited scope. On the other hand, technical instruction and manual labour, without necessary immediate application to the boys' trade, are of great practical and educational use in giving a general familiarity with the use of tools, increasing general aptitude, and are more congenial than a mere extension of primary education. The course of study must be of a different character from the elementary-school curriculum; the adolescent requires different fare. The working of the Junior Instruction Centres¹ (to give the English name) presents another difficulty, because the students are a body fluctuating with the state of employment; attendance is not continuous or for long periods, and probably averages about 30 days per student per year.

The numbers may be large or small at different times, so that extensive accommodation may appear to be wasted in prosperous times. This difficulty could be remedied by using the premises in the evenings as cultural centres for employed young people, making them available for those over 18. The Education Officer of Wigan has made suggestions for this wider use. What seems to be required in every large centre is an Institute of Leisure for all, adults and young people, especially for part-time workers. If such Institutes were established the Junior Instruction Centre could form part of the Institute of Leisure, and 'the transference of the young folk to the senior classes could be achieved when they reached the age of 18'.²

Young Adults. The report on *Unemployment among Young Persons* prepared for the International Labour Office Conference of 1935 showed that in most countries unemployment is severe among younger men of between 18 and 21. Attendance at the various day and evening classes available of men of these ages will only be secured if the student is himself convinced either of the practical use to him in his trade of the instruction given or of the general interest of the subjects. This is met in general by the provision of evening classes

¹ For an admirable survey of the whole field in Great Britain see Bell (Valentine A.), *Junior Instruction Centres and their Future, Report to the Carnegie United Kingdom Trust* (1934, Edinburgh). The *Bulletin* of the International Bureau of Education, 1934, No. 32, pp. 108-9, contains reports of a discussion on the use to which the additional school years should be put, together with resolutions adopted at the Third International Conference on Public Education (1934, Geneva).

² By the end of 1934, 110 centres and 14 classes for young unemployed persons were open. Bell (V. A.), *op. cit.*, p. 79.

with a wide range of choice of subject, and the same principle can be, and is, applied to day classes.

Vocational Training. The educational provision made for young people in all countries is outlined in the International Labour Office Report cited above.¹ It takes many forms, but is mainly concerned with vocational instruction.

In Germany during the winter of 1932-3 many disused workshops were handed over by employers for the use of the training-centres, which, in industrialized areas, are organized mainly in industrial groups. The use of these shops facilitated vocational training on practical workshop lines. Unemployed persons who follow a special course were exempted from reporting regularly at the employment exchange—the usual condition for the receipt of benefit. During the year 1932-3 527 thousand boys and girls passed through special vocational courses, organized by the employment exchanges, or with their assistance, and it is claimed that the training given greatly facilitated placings, and that the young people are not readily interested in theoretical instruction unless it is directly connected with their occupation. Normally about 50 per cent. of the population of ages 14-18 pass through compulsory part-time vocational courses.

In France, Belgium, and Austria similar stress is laid on improvement in craftsmanship, though the systems vary in all countries, being based in varying degrees on official and voluntary effort.

In France vocational training has for many years been on strictly practical lines, and has been steadily extended since it was first started by the building trade in 1905. Generally speaking, this work has in France progressed through private and local initiative, though the Superior Council for Technical Education has of late years given it substantial financial support; so also has the Paris Municipal Council. The Chambers of Crafts in the Departments have organized apprenticeship-schools. The peculiar position of France, with her considerable post-war shortage of young entrants into industry, has done much to develop organizations for encouraging apprenticeship.

In India Delhi Province has, since 1925, undertaken the provision of industrial training to reduce juvenile unemployment. In Belgium special facilities, in addition to those provided by the Education Authorities, are organized by the Young Christian Workers' League and by the Socialist organizations. In Italy assistance and vocational training for young people is mainly organized under the Opera Nazionale Balilla established in 1926 for the moral and physical education of Italian youth. The Balilla organization is on a semi-

¹ *Unemployment among Young Persons*, pp. 66-87.

military basis and includes boys and girls between the ages of 8 and 18. The Balilla provides vocational courses for all, whether employed or unemployed. The Fascist Provident Association provides in many industrial centres vocational courses especially designed for unemployed youths and girls with the aid of State subsidies. Efforts are made to secure close contact between employers and the Ministry of Education in respect of these courses.

Voluntary provision for the instruction and recreation of employed and unemployed youths and girls is made in a widespread organization of boys' and girls' clubs in Great Britain,¹ and in the Scouts and Guides movements which have spread from Great Britain to many countries. The latter give their members facilities for camping holidays and instruction in country lore. Finally, there is the organization of Labour Camps for young men, which, in spite of its costly character, has been widely adopted.

5. *Labour and Instructional Camps and Centres*

Aims of the Movement. In so far as these are concerned with the provision of relief work, some reference has already been made to them. But camp provision, mainly but not exclusively organized for young men, usually has moral and educational aims quite apart from the provision of work. The aim of the camp is to make the campers physically fit, to inculcate comradeship and the corporate spirit, and generally to keep young men fit for return to industry. In so far as the camps are devoted to these aims they serve to counteract the evils of city life, and to provide the sense of belonging to a corporate body, which the unemployed lose on leaving the factory, and there is no doubt that they have been important factors in maintaining the health and the spirits of unemployed men and boys. The work of the Civilian Conservation Corps in America and of the forestry camps of the Ministry of Labour and the camps for unemployed men set up by the National Council of Social Service in Great Britain are examples of this restorative work.

The organization in Central Europe, in Germany and Austria, has undoubtedly received more support from the authorities because it offered an opportunity for a discipline which had formerly been available for young recruits under conscription and was now no longer available. This conception of the value of camp life does not necessarily involve the military idea or the notion of compulsion, but it is

¹ An extension of the movement in Great Britain is to be expected from the operations of the Jubilee Trust formed in 1935.

inevitably associated with both in the minds of the unemployed in countries where conscription has existed in the past, and a certain amount of distrust has to be overcome by organizations providing the undoubted advantages of open-air life in camps in democratic countries. The technical committee of the Disarmament Conference took note of this consideration, and expressed the view that 'all physical, athletic, or pre-military training of young people and all compulsory service of youths previous to their military service which would involve incorporation in permanent units or continuous service instead of exercises from time to time in addition to the normal activities of young persons should be prohibited, except in the case of preparatory military schools in the strict sense, and specialized high schools of physical training. The prohibition concerning the labour service would not apply in the case where the said service has for its sole object the providing of work for unemployed persons without resources'. It will be seen that this cautious pronouncement contains certain loopholes through which the military spirit might enter.

Importance of Voluntary Character. The maintenance of the voluntary character of the camp is essential if these objections are to be avoided. Even when the labour service is nominally voluntary the element of compulsion sometimes appears. A clause in the Austrian Order of December 23, 1933, provides that unemployed men under 25 years who fail without good reason to enrol themselves as voluntary workers may have their emergency allowances withdrawn. The voluntary labour service of the Free City of Danzig was converted into a compulsory service on June 19, 1934, enrolment being compulsory for one year between the ages of 17 and 25. The certificate of the Voluntary Labour Service in Germany is practically necessary for young men seeking employment, or for entrance into a higher educational institution. In Switzerland there was a proposal to make the labour service compulsory for unemployed workers, but the proposal was defeated on the ground that there was no valid reason for compulsion to be placed on one section of the population, namely the unemployed.

In many countries which have established labour-service camps—in Canada (for homeless single men), in Czechoslovakia (mainly for young people), in Denmark (for young people), in New Zealand (unemployed men), in Norway (for young men), in Poland (for young men), in Sweden (for young men), and in the United States—the voluntary character is carefully safeguarded. Generally part of the time is devoted to recreation and education on the model of the early

voluntary camps established in Germany.¹ The rapidity with which the movement has spread shows that the system is on the whole congenial to the young people, 'who see in the labour service a way of escape from the depressing atmosphere of their workless existence into a life which is more or less reasonably divided between work, sport, social activities and recreation'. The camps do not solve the problem, since the young men must eventually be placed in employment, and there is as yet no sufficient evidence to show whether the prospects of eventual employment are improved or not.

Apart from the question of compulsion, a reasonable fear exists that the drafting into camps of unemployed persons, especially of young people, may be accompanied by efforts on the part of the camp authorities to inculcate the political opinions of the ruling classes. In countries where propaganda is a recognized function of Government this is in fact an important element in camp training.

Wherever training is made obligatory on the unemployed certain precautions should be universally applied. The Eighteenth International Labour Conference, in its Recommendations on unemployment insurance and relief, laid down a useful proviso applicable to all obligatory courses of training: 'The obligation to attend a course of vocational or other instruction permitted by the Draft Convention as a condition for the receipt of benefit should be imposed only if the unemployed persons will derive an advantage therefrom either from the point of physical or mental well-being or of vocational or general capabilities.'²

6. *Occupation Centres and Training Centres*

The provision of occupation in camps or training centres presents certain difficulties. It must not be competitive, and it is difficult to find non-competitive occupation which is useful; if the work is not useful, there is little interest in pursuing it. The dilemma is an old one which has confounded, in another connexion, prison and poor-law authorities in the past. A way out is found in 'amenity' construction—sports-grounds, bathing-pools, parks, which would not otherwise be undertaken, but not all unemployed are fit for outdoor occupation, especially in winter. Provision for technical workers presents the difficulty in an acute form.

Technical Workers. An interesting experiment has been made in a service for unemployed technical workers in Zürich and other towns

¹ For typical time-tables and the special training given to camp leaders see International Labour Office: *Unemployment among Young Persons* (1935, Geneva), pp. 123-6.

² International Labour Office: *Official Bulletin*, Aug 15, 1934, p. 51.

in German Switzerland, with the aid of the local authorities and the Federal Government. The work carried out includes material for a survey of artistic monuments, topographical work, the preparation of tables and graphs for the purposes of technical training and use in elementary schools, and an inquiry into the state of buildings intended to supplement experiments in building-methods. The experiment is on a small scale, but it is important, since useful work which would hardly have been undertaken otherwise is thus supplied for skilled men, who are in the course of the work brought into contact with possible employers.

Great Britain. In Great Britain, excluding centres which were set up for the training of men for oversea settlement, two main types of training for adult men¹ have been developed by the Ministry of Labour:

- (1) Training Centres, in which men receive a six-months' course in a skilled trade with a view to placing them at the termination of the course as 'improvers',
- (2) Instructional Centres, in which men who have long been unemployed receive a 12-weeks' course on unskilled work (mainly of the pick-and-shovel kind) with the intention of keeping them in the physical condition necessary to obtain and hold a job

In addition an experiment in the provision of physical-training classes was started in April 1932,² and a few small schemes of training have been developed in co-operation with outside bodies, in particular one for footmen, handymen, chauffeurs, &c., in conjunction with the Boy Scouts Association. Training for women has been conducted since 1920 by the Central Committee on Women's Training and Employment on behalf of the Ministry of Labour. The training is given in the main with a view to domestic employment, though training for certain other specified occupations is sometimes given

¹ To be eligible for admission to one of these Centres a man must be:

(1) Resident in one of the scheduled special areas or in certain other areas of heavy unemployment. The areas of recruitment for Instructional Centres are wider than for Training Centres.

(2) (a) Training Centres: without prospect of employment in his own trade or in one with similar processes. Readmissions for a refresher course or for retraining are allowed in cases where failure to make good since the earlier course is due to trade depression.

(b) Instructional Centres: in need of a course and likely to profit by it. Readmission allowed after nine months' interval.

(3) Between the ages of 18 and 45 years. In the Training Centres the numbers of men over 35 years and of married men are strictly limited.

² By the end of 1934 thirty-four physical-training centres had been established of which all but four had been taken over by voluntary organizations. Approximately 14,600 men had passed through the centres by the end of 1934.

to selected applicants under the Individual Vocational Training Scheme.

The Training Centres for men, which are non-residential, do not aim at turning out skilled craftsmen, but the training and instruction provided is sufficient to enable a trainee to obtain employment where he can earn a wage sufficient for his maintenance, whilst continuing to add to his skill and experience.

The training consists of an intensive course of practical and theoretical instruction by skilled tradesmen in certain scheduled trades. The length of the normal course is twenty-six weeks. Each man is expected at any time during it to take suitable employment which has been found for him by the Department or which he finds for himself. Where men residing in the neighbourhood of a Centre are eligible to be admitted for training, they receive a free mid-day meal, 2s. a week, and reasonable travelling expenses. Most trainees, however, must live away from their homes in lodgings. Such men receive, in addition to their unemployment benefit, reasonable allowances. If they are in receipt of unemployment assistance the allowances are adjusted to meet their circumstances. For men who are receiving no payments allowances on an equivalent scale are made. From the commencement of the scheme up to 1934 over 50,000 men have been admitted to this form of training, and 85 per cent. of those who have completed the course have been placed or have found employment. Including fares, tool-kits, and allowances, but excluding the unemployment benefit paid, the cost of the six-months' course works out at about £35 per man.

The Instructional Centres for men between the ages of 18 and 35, who have been long unemployed and who have no aptitude or desire for learning a skilled trade, are, with two exceptions, residential, the men being accommodated mainly in hutment camps. Since the first of these Centres was opened some 52,000 men, of whom about 40 per cent. passed into employment, have been through the camps. In 1934 thirteen new summer camps were opened, and over 16,000 men admitted, of whom 2,500 were placed on leaving. The cost of the course per week is approximately 14s. 4d. each man, exclusive of travelling expenses, capital charges, and the amount of any insurance benefit or unemployment assistance to which he may be entitled. Expenditure on the various centres and camps was budgeted for in 1935-6 at the figure of £800,000, including an extra £14,000 for the training of women in domestic work. The maximum accommodation in centres and camps under the Ministry of Labour at any one time is for 13,000 persons.

7. *Community Settlements*

Aims. The growing interest in the experiments made in many countries for taking groups of unemployed persons out of the industrial field altogether and encouraging small-scale production for use and not for sale must be noted. These experiments are undertaken in the belief that a number of unemployed men have little hope of ordinary re-employment and that if they are formed into groups for community service they will be happier themselves and increase the happiness of the community. The underlying idea of these schemes is the acceptance of unemployment, and the determination to make it a worthwhile life—in the words of the Archbishop of York, ‘an alternative life, economically far “less eligible”, but offering some real compensations, because here a man will work not of compulsion but freely, not as the animate portion of a machine but as a craftsman’. In the community centres the men are co-operating in the service of the community. ‘They raise their own standard of life by common effort, communal buying and the like; they improve their homes by repairing their furniture or making ornaments; but, above all, they render public service.’¹

The economic difficulties of the maintenance of relatively self-sufficing communities of this kind have already been pointed out in discussing the various devices for the provision of work. It is easy to criticize experiments on Upholland lines or on the plan of the People’s Service Club at Lincoln; it is less easy to suggest an alternative policy for the victims of industrial wastage. Moreover, earlier retirement from industry, which will inevitably be accompanied by a lowering of the pension age, will mean, when it comes, the existence of an increasing body of men with small resources, shut out of the industrial field, but still with the desire to work and the possibility of rendering real service. Are they to be condemned to idleness because they may not work for wages? The community service idea cannot be ruled out simply on economic grounds. Retired professional people have many opportunities for good voluntary work in many directions. The avenues of usefulness for ordinary working people are much more limited. Not all of them have the necessary gifts or the opportunities for the political and local government activities which are open to all classes, their possible contribution may be only through the work of their hands, and it should not be denied.

¹ See a manifesto by Dr. Temple separately printed. Also extracts in *The Times*, Feb. 5, 1935.

The problem is not merely one of the present mass unemployment; it is permanent and demands solution. It is too easily assumed that recreational facilities meet the needs of leisure; active minds and bodies demand real work.

8 *Permanent Value of Social Service Work*

The work done for the unemployed by social workers is thus of the greatest variety and opens up a number of social problems. This chapter only provides some examples of the kind of effort which is being made. There is great scope for voluntary work, because it is easier within its less rigid framework to consider the special case of the individual man. Dr. Temple rightly insists on 'the supreme obligation of treating persons as persons'. Men have different levels of ability, different levels of mechanical skill, and different circumstances of home-life and environment. No uniform method meets all cases. Nevertheless the main onus of handling mass unemployment must rest with Governments. The provision of technical instruction and general educational facilities must in the main rest with the education authorities.

Real permanent advantage may come out of the measures taken to mitigate unemployment. Its extent will be determined partly by the degree in which it is possible to make clubs, centres, and other organizations self-supporting and autonomous. The workers' organizations themselves have always assisted their members; their resources have been insufficient to meet recent needs; in no case could they grapple with the problem. But socially and politically it is desirable that the various services should become in time independent of outside help. Whatever may be the fate of separate social-service units, one clear advantage has been gained—the recognition of the necessity for wider cultural opportunities in the workers' leisure, whether that leisure is due to shorter hours or to unemployment.

PART FOUR
SUMMARY

SUMMARY

UNEMPLOYMENT varies greatly in character and in severity. It is in itself symptomatic of disorganization arising from causes and conditions just as various, and it follows that the cure of unemployment needs to be approached from many angles. (The symptoms covered by the word unemployment point to different diseases, arising some of them from circumstances peculiar to the economy of the country concerned and some of them from disturbances in its economic relations with other States; the whole complex of domestic policy and foreign relations is inevitably involved.)

It may be said that (unemployment is due to the mal-distribution or maladjustment of either production, consumption, or leisure, or of all three) (Therefore a discussion of unemployment might be held to involve a reconsideration of the foundations of society, including the basic conditions of production, of the distribution of wealth and of the means of exchange.) These large questions must be left to general works on economics. This book has had a much more modest aim; the discussion of the extent of unemployment, some of the conditions under which the dislocation of labour in recent years has taken place, and the practical measures by which Governments and the parties immediately concerned are attempting to grapple with the problem.

(A great variety of conditions are covered by the word 'unemployment'. The unemployed worker may be attached to a declining industry or to an industry in process of drastic rationalization, and may have very little prospect of returning to his own occupation within a reasonable time, if at all.) Or he may be laid off for a short period when demand is slack and likely to be taken on again at an early date, or he may be on short-time; in both these cases he suffers a reduction of income, but he is not destitute. Or he may work in an occupation where employment is organized on an intermittent basis; casual employment is ordinarily associated with low earnings, but in some cases work (rather incorrectly described as casual) for two or three days a week may be reasonably safe and so highly paid that the days on which the man does not work may fairly be regarded as leisure. Long-continued unemployment, gaps in employment, short time, and casual employment react with varying severity on the individual, and require different treatment. Incapacity, or relative incapacity, of individuals for work has also to be reckoned with in an industrial system which requires a high standard of efficiency.

Unemployment must in the main be regarded as a national responsibility in an industrialized country. It *may* arise from within the individual, be his or her 'own fault',) but who shall say in these days how the fault arose—possibly in a large majority of cases from a bad home or an imperfect education? (In the great majority of cases the responsibility does not lie with the individual.) A man may serve as a coal miner or a shipyard worker until middle life and then, when his industrial outlook is fixed, work in his industry diminishes for reasons outside his control, e.g. new inventions, temporary or prolonged dislocation due to general economic or political causes

Official definitions of what is meant by unemployment may be misleading, for they are concerned for the most part with administrative convenience and the necessity of classification for various purposes (A plain Englishman's definition may be said to be that a man is unemployed if he is out of work, wants work, and cannot find it at his customary rate of wages. If he is rich enough to afford a reasonable standard of living (and it is important to remember that the standard varies in time and space) without working and does not work, he is not unemployed but unoccupied.)

It is very important to know whether, putting aside crisis conditions, the problem of unemployment is becoming more or less serious. In Great Britain, one of the two countries for which a degree of statistical evidence is available, the general level of pre-war unemployment is assumed to have been from 4 to 5 per cent., but it is probable that if the term unemployment had been as comprehensive then as it is to-day under the Unemployment Insurance Acts, which cover under-employment, the figure would have had to be put considerably higher. In the immediate pre-depression years 1924-9, unemployment, including under-employment, averaged about 11 per cent., and it was probably not much less formidable in Germany. Special circumstances then, as now, made the employment question of varying importance in different countries. In France loss of life in the War and a declining trend in population, taken together with the impulse to industry provided by post-war reconstruction, caused an actual shortage of labour, which was met by the importation of foreign labour, much of which became redundant during the crisis. The industrialization of Asia and of overseas agricultural countries was already creating difficulties in British exporting industries concerned with consumable goods. Technological changes created considerable difficulty in Germany and the United States. In addition, the United States had not accommodated herself to the position of a great creditor country, and Germany was maintaining the export

activity necessary to fulfil her obligations to the victor countries on a basis of rapid rationalization carried out largely on borrowed money. That intensification of German export industries reacted unfavourably on labour conditions in other industrial exporting countries. It is clear that there was a very considerable body of unemployment in the principal industries before the slump, though calculations of its extent cannot be precise.

What has been called in this book (depression unemployment' reached alarming dimensions in 1929 to 1934.) 'The total figure was put by the International Labour Office at 30 millions at the worst point of the slump) In some, but not in all, countries there has been a diminution since about the middle of 1932; in the Gold Bloc countries the situation on the whole grew more acute in 1934, and in the United States the improvement in ordinary industry was small. In some countries about one-half, in others about one-third, and in the United States a much higher proportion, of the unemployment during these years may be put down to the crisis.

! The difficulty experienced by Governments in framing long-term policies to grapple with unemployment is largely due to the lack of any sure foundation for predicting the future dimensions of the problem—whether it must be assessed, for instance, at less or more than the proportion during the years 1924–9.†

[The future of employment depends, as is shown in the second part of this book, on so many variables that the balance may very well turn one way or the other. The older industrial countries are faced with increasing competition in a very wide range of industries from the newer countries and from countries in which the pace of industrialization has been speeded up. Political and racial considerations have something to do with the tendency to rapid industrialization of countries hitherto predominantly agricultural, but the change is mainly due to pressure to provide alternative occupations to agriculture. This change was hastened by the War and accentuated by the recent depression,] but it was in any case inevitable at some period. The condition of virtual monopoly as suppliers of manufactured goods enjoyed by Western Europe and North America in the nineteenth century was bound to alter as Eastern Europe, Asia, and other areas began to assimilate the technical knowledge of Western countries. The character of the exchange of commodities between West and East is changing, and, even when the slump is over, extensive modifications will be required in the character of export trade, and possibly in its scale. Can Western Europe and North America adapt their production to the new conditions? Shifts in production are

always difficult, but they are not impossible. They were very great in the United States in the immediate post-war period, when they were accompanied by considerable unemployment, but they seem to have been achieved with the minimum of friction, partly because of the survival of the pioneer spirit, with a consequent high degree of mobility of labour, in respect both of occupation and of place. The shifts are much more difficult in older settled countries, in England and France, for instance, though the problem is less acute in light industries requiring generalized industrial aptitude rather than specialized skill.

(There are other permanent changes affecting the situation—changes in population trends, and in methods of production involving great economies in labour. There is no general agreement as to whether a declining population in Western Europe is likely to mean a decreasing unemployment problem. The present industrial and financial systems of Western Europe and America were built up in the nineteenth century in an environment of rapidly increasing population and correspondingly quick increase of demand both at home and abroad. We are now forcing the pace in industry by mechanization and the rationalization of manufacturing processes at a time when there is an increasing degree of reliance on the home market and when large accretions of population are taking place no longer in the West, but in the East, in South America, and in Russia.) Some of the circumstances governing changes in population trends are still obscure, but for the next twenty years or so the general tendencies are clear enough.

The changing structure of Western populations, with a heavier weight on the older ages and a relatively smaller proportion of young people, alters the character of demand. Reasons have been given for suggesting that the general effect on the home market may be a smaller relative demand for staple products, and, provided the general wealth is maintained, a more varied demand over a wider range of products, especially if leisure increases. The optimistic view that the varied demands for services and for luxuries will make up for lessened demand for staple commodities presupposes a constant development of the standard of living. There is still room for increasing the demand for staple products with increasing wealth, though expansion in this direction has more definite limits; at present effective demand is less than need.

Whatever view is taken of the implications of the present trends in population, mass production, which tends to spread by virtue of the increasing economies in power and labour which it develops

within its own organization, may require permanent and growing outlets other than the home market, even if large reductions of prices permit a greater volume of sales at home. Nor is it clear that mechanization and rationalization have gone to anything like their limit in economizing labour. Employment in the United States and in Germany in industry did not increase at the same rate as production in the period 1924 to 1929, because of the great advances in industrial efficiency. In the United States the increase in employment was in selling operations, in publicity and in services, that is to say in occupations where rationalization is only in its beginnings. Rationalization, in these trades is likely to proceed much farther, with the result that the expansion in the number of salesmen, retailers, and the whole chain of distributors may be checked and in some trades even reversed, but such a reduction may be to some extent offset by the demand for elaborate delivery and other services. In agriculture in Western Europe displacement due to mechanization has not yet reached the dimensions which appear to be inevitable; economy of labour has been definitely discouraged in many countries, and the relatively high costs of production under the present system have been defended by prohibitive tariffs, which cause difficulties in the major agricultural exporting countries.

There remains provision to meet new wants, which have increased rapidly and are still increasing. The continuance of their increase is a question not only of invention but also of the distribution of the increased wealth made available by mechanization and rationalization. The accepted theory of the compensations provided by varying demand and corresponding shifts in employment has been stated in this volume, but it is clear that, even though compensation in employment may be available in the long run, at least some very considerable temporary dislocation must be expected. The situation is not likely to be serious for a long time to come in a country like Russia in process of rapid development, but it is already critical in Western Europe and in the United States.

The severe restrictions on the movement of men and of goods which have brought international trade to its present low level began before the crisis, but in their present exaggerated form they are the results of that crisis; they are in part desperate efforts to counteract the confusion in monetary systems, the failure of money to fulfil its normal function as a standard of value for the exchange of commodities, with a consequent reversion to what approximates to primitive conditions of barter. But they are the fruit of unemployment in so far as they represent efforts to maintain employment for the nationals

of the country imposing the restrictions by preventing the importation of foreign labour, either direct or in the shape of foreign food and foreign goods. They represent an increasing tendency towards securing a relatively self-contained economy for each country.

Efforts to counteract the severity of the effects of trade restrictions are themselves apt to be restrictive of production and consequently of employment. The international cartel is an attempt to regulate the market and to some extent to circumvent the tariff, though it is in itself often a child of the tariff, which is necessary for its stability. The general scheme is the retention of the home market, already protected by the tariff, for the national producers, and the division of external markets by allotting quotas among the participating groups of producers. These international agreements need not necessarily be restrictive, though in practice they usually aim at the maintenance of prices and have consequently an automatic tendency to restriction. They tend to be extremely fragile, for there are always producers outside the ring who seek to break it, and there are always producers inside the ring struggling for the increase of their quotas.

Experience has made it clear that restrictions on production can rarely fulfil their purpose without international action. The restriction of cotton production in the United States will not necessarily maintain higher world prices for American cotton, since the deficiency may be made up elsewhere. Perhaps the present difficulties in a whole series of industries, in wheat, sugar, certain metals, coal, iron and steel, cotton, and others may lead, whether for good or evil, to effective international agreements between the producers themselves, making for orderly production and for security of employment in the industries concerned. It may be necessary to consider some interference by Governments, acting in concert on behalf of producers and of consumers, to regulate cartel activities, to prevent price exploitation and a consequent depression of the standard of living, and to secure the necessary elasticity for the attainment of these ends. If effective concerted control of this kind can be secured, some degree of international planning may be accomplished and the necessary adjustments between the various kinds of production secured. The danger of hard and fast agreements is that they are originally designed to meet a particular situation at a given moment, and tend by their nature towards rigidity. This is especially true of international agreements requiring lengthy and difficult negotiations before they can be modified. On the other hand conditions are constantly changing, and must continue to change in any living, growing organism. It is by no means clear that large combinations can and will

provide the adaptability shown by the thousands of smaller organizations which have developed production and trade in the past.

The general confusion is enhanced by the great disparities existing internationally between wages and hours in different countries. The International Labour Office has long been occupied with the question, and is in fact creating a world opinion tending to reduce the more violent disparities, though the inequalities are still serious enough to make the maintenance of 'fair' competition in the export trades a very difficult one. The contention that high industrial wages are a heavy handicap to employment in certain Western countries can nevertheless only be maintained with large reservations. High wages and efficient production commonly walk hand in hand. Moreover no conceivable reduction in wages in the English cotton trade would, by itself, bring costs down to the Japanese level—a level in which the low wages are only one factor; and reductions of a sufficiently drastic nature in all export trades would have other repercussions on the general standard of living which would not leave employment in other trades untouched. Further information on labour costs rather than on wages *per se* is required for all trades if the discussion is to be put on a sound basis. The already difficult question has been complicated by the uncertainties and rapid changes in currency values.

Restrictions on the movement of human beings have been carried even farther than on the movement of goods. While international movement was relatively free there was opportunity for the relief of congested areas and the development of sparsely populated areas, and a consequent total increase in employment. Both extremes—congestion and scarcity of population—cause special dislocations in international trade. Congested countries must develop industry for export to provide for the maintenance of their people, and in so doing they encroach on the markets of other exporting industrial countries. The natural increase in sparsely populated areas generally fails to keep pace with the increased production of foodstuffs and raw materials due to mechanical invention and scientific research, with the result that export of foodstuffs must be maintained or increased, or the countries concerned must provide as far as possible for the manufacture of goods they can no longer afford to import.

These world conditions form the background of the unemployment problem. Of the methods adopted to mitigate the heavy unemployment of the last four years some account is given in the latter part of this book. They are for the most part emergency measures for creating employment, or for reducing the amount of surplus labour by spreading work or removing some workers from the field

of employment or for mitigating the effect of unemployment on the individual and his dependants. Some of these measures have more than an emergency value, such as the creation of insurance systems and the improvement of existing systems, the raising of the age of entry into industry, the extension of social services, and—under certain conditions—the shortening of hours. (The general acceptance of the fact that unemployment generally arises out of the industrial system and not necessarily from the fault of the individual is in itself an advance on nineteenth-century thought, and this changed attitude has led to the development of unemployment insurance systems of varying degrees of comprehensiveness.) (The application of the principle of insurance against unemployment is most urgently required in highly industrialized countries, it has been adopted under pressure of the crisis even in countries with a large farming population, where unemployed persons have hitherto been expected to find temporary occupation and subsistence on the land.)

Though the need for an educated democracy is the primary reason for the prolongation of school years, an incidental advantage is relief of the pressure of young people on the labour market. A large step towards the solution of the unemployment problem would be made by raising the school age and giving increased contributory pensions on conditions of retirement, where a country is wealthy enough to make the necessary provision. (The financial difficulty explains the failure in most countries to adopt these obviously desirable ways of reducing the supply of labour. Adequate retirement pensions would mean the possibility of the removal of many thousands of older men and women from the labour market (though it must not be assumed that there would be an increase in demand proportionate to the withdrawals since the capacity for work of the younger men is greater). In this matter it is necessary to take into account the state of the national finances and the burden laid on the population of working age in societies where the proportion of older persons tends to increase.)

Something more than financial assistance for the unemployed is required, and much has been done to preserve the morale of those who have been long out of work. A man's self-respect requires that he should do something which he regards as justifying his continued existence, and gives him satisfaction. Nothing but work on an ordinary economic basis will meet his moral requirements fully. But, if that regular work cannot be provided a second-best has to be found in occupations which may or may not be remunerative. The need for occupation is the justification for many efforts for the provision of educational and occupational centres for the unemployed.

It is desirable that social effort for the unemployed should be so arranged as not to segregate them from their fellows. Not the least serious disadvantage of unemployment is the sense it gives of being apart from the general current of social life. Therefore provision for the pursuit of learning and of occupations, which is being made in many countries, should as far as possible be made open to all classes. The organization of leisure for the *employed* may be of even greater importance in the future. If working hours are shortened, and if the present need for provision of education and occupation for the unemployed leads to extended opportunities for culture for all classes some good will have come out of the crisis.

In the United States and some other countries reduction of hours or labour or other methods of spreading work have been adopted as a remedy for unemployment. Spreading of work has generally been accomplished at the cost of reductions of weekly earnings; it spreads the sacrifices of earnings over a wider area and substitutes underemployment of many workers for total unemployment among a smaller number. This policy presupposes that no immediate expansion of production is required, but many thinkers will refuse to accept this hypothesis so long as a large proportion of the world's population is on the borderline of poverty. Here again the question cannot ultimately be divorced from the consumption problem. In all discussion of the question two considerations must be borne in mind. If the shorter hours are combined with increased efficiency per unit of labour, permitting the raising of hourly or piece wage rates to allow of the maintenance of earnings on the basis of shorter hours, there is social advantage for those employed but no proportionate help for unemployment, unless demand for the product is increased. If these conditions are not fulfilled and costs are raised, there will be a risk of reduced output and increased unemployment, especially in those industries in which the margin between costs and selling prices is small, and these are the industries in which unemployment is likely to be most serious. Methods of spreading work by rotation systems or short time are in some quarters preferred, on the ground that they are temporary adjustments which can be used to counteract violent fluctuations in employment, whereas the policy of the shorter working week, once established, can rarely be reversed. In the one or two countries with a highly developed insurance system, where benefit payments are available to supplement diminished earnings, there is much to be said for these means of meeting temporary fluctuations in industrial activity. The danger is that they may be used in a permanently declining industry, in which case there is a tendency to

maintain larger bodies of labour attached to the industry than is economically justifiable. Another method of spreading work that is socially desirable is an annual holiday with pay—this again may require assistance from external sources, at all events in industries working on a small margin. Shortening of hours has been accomplished in most countries at the expense of the worker by a corresponding reduction in wages, which involves a lessening of demand for the products of industry, so that the additional leisure is not accompanied by the desirable increase in spending power. More leisure is desirable to most people only if they have some money to spend, and, in addition, aptitude, natural or developed, for the enjoyment of leisure; it is certainly not desirable at the cost of a lower standard of living. It may well be that a final solution of the employment problem in an industrial world in which the limits of efficiency are not yet in sight is the redistribution of leisure time, giving a larger share to the workers, through an increased yield from industry. The emphasis may, in course of time, shift from the provision of work to the provision of leisure and facilities for the use of leisure. There is a significant remark in the final volume of the *New Survey of London Life and Labour* that, for the London working-classes, a large proportion of whom are engaged on mechanical tasks, 'all the forces at work are combining to shift the main centre of interest of a worker's life more and more from his daily work to his daily leisure'.

The creation of work represents a more positive policy. Expenditure on public works is usually advocated, and has been adopted in many countries, as a means of providing employment in times of depression. Even Great Britain, whose official pronouncements have been hostile to expansionist policies as a means of combating depression, has now undertaken large programmes of housing, road, and railway reconstruction, which will absorb a considerable amount of labour, though they have been adopted for the general social advantage and not mainly with the view of 'making work'. When unemployment is so serious that public work must be provided schemes are apt to be hastily devised, and, even then, time is necessary before the demand for labour becomes effective. There is a strong case for a better timing of government expenditure—for expansion when private enterprise is slackened. The advisability of an expansionist programme of public works depends on the requirements of the country, on the permanent utility of the improvements undertaken, and on the prospects of being able to use the newly developed resources; moreover, it must not be of such scope or of such a character as to diminish the prospects of investment in ordinary industry. It

may be added that in Western countries with populations in which increase is slowing down, special consideration must be given to the financial burdens of interest and amortization which will fall on the next generation.

One remedy advocated in some quarters is land settlement, to provide either for additions to the rural population or for maintaining the numbers of existing rural workers and the consequent prevention of rural unemployment. Here again circumstances vary. Land settlement, as pursued in Germany, would be a much more difficult proposition for Great Britain, because the Dominions have developed in the expectation of a continued large market in the home country for wheat, wool, meat, and dairy produce. Agricultural production cannot be considered apart from general external economic policy. Further, much more investigation is required before the decision is made in advanced countries to substitute production on primitive lines for production with ever improving methods based on science and invention. Changes in the agricultural system demand a more accurate forecast than is at present available of the changes in the character of demand, and the possible and desirable enlargement of consumption. The fact that consumption and price cannot be dissociated sets definite limits to the highly protected production which is involved in artificial stimulation of agricultural production in an industrial State.

The individual circumstances of a particular country impose limitations on policies for dealing with unemployment and under-employment. There is little in common between the problems of India and China and the problems of France and Germany. The solutions attempted depend on the wealth of the community concerned, on its domestic circumstances and its external relations. The problem is different for large units such as Russia and the United States, for countries with colonial empires (Great Britain and France) and for smaller units. It is different for countries with expanding populations, India, Italy, and Japan, for Western European countries with a low rate of increase, and for the British dominions with their sparse population. It is different for undeveloped countries in which the provision of the necessary communications, schools, and public administration should create a great demand for labour for many years to come, and for countries in which what may be called the fixed plant of civilization is already reasonably adequate.

Highly industrialized countries are in a different position from countries in which there is a 'balance' between agriculture and industry, a balance which, in Europe, is only precariously maintained

by the exclusion of agricultural products from overseas, and in certain countries by the maintenance of a wheat price three times the world price. The question of providing employment is not a purely national one even in the United States or in Russia, whose resources permit of a high degree of self-sufficiency. It is obviously much more closely bound up with international policy for countries like Japan, Great Britain, Italy, the Netherlands, and Belgium, with small areas and large populations and limited national resources, countries for which the maintenance or raising of the standard of living appears to require the continuance of international trade on a considerable scale, and for countries like the British Dominions, with a sparse population and a highly developed food export industry, for which markets in industrial countries are required. The nature of that interdependence appears to be changing under the present trend of political thought towards extreme nationalism and the pressure of the financial situation. It is claimed by some that self-sufficiency is rendered more feasible than it once was by new scientific discoveries and the general diffusion of technical knowledge; possibly a high degree of self-sufficiency can be attained in a country as industrialized as Germany if the people are prepared to make the necessary sacrifices.

Finally the practicable methods of dealing with unemployment vary according to the constitution of the State and its power of interference with the action of employers and workers. The pressure of the employment situation has been perhaps the most important factor in securing the acquiescence of great populations in systems of government which give the State increasing rights of control in production, industry, and trade. Centralized control has made great strides in Italy, in Germany, and in the United States, and in a lesser degree in other countries.

Generally speaking, the first requisite in framing a long-term employment policy is to know whether the scales are to come down on the side of the resumption of political co-operation or on that of growing isolation. If there is to be permanent political co-operation there must be economic agreement, since no political co-operation is stable where economic conflict is recurrent. Again, the presence or absence of political co-operation fixes to some extent the balance of industry—e.g. if armaments are to be maintained and increased the problem of unemployment in heavy industry will be solved for the moment. Moreover, if there were war to-morrow there would be no unemployment; but, after the war, there would be the same baffling problem of general economic dislocation and the rectification of the balance of industry unduly weighted by war production.

Apart from the special case of the armaments industry, and the possibilities of war (which are primarily political questions), no country can plan employment without deciding on the probability of growing separatism or growing co-operation; on the prospects of a settlement of currency questions and of the resumption of international lending; on the probability of the restoration of international trade on the basis of exporting goods for which payment may be made through a third or fourth party, or of increasing self-sufficiency accompanied by a restricted trade on the basis of bilateral agreements of a barter character, or on the continued international exchange of goods with a system of moderate long term tariffs allowing a degree of security, instead of the present lightning changes with the accompanying dislocation of labour.

We have shown in this book that national policies tend to be contradictory—the same government may be subsidizing export trade with one hand and practising high agrarian protection with the other. But self-sufficiency requires one pattern of industry and labour; the resumption of international lending and trade requires another; and a compromise between these still another.

* * *

Some estimate of future trends is of especial importance to Great Britain. Emergence from the depression would practically end the problem for some countries. That is not the case in Britain, where structural causes go deep. Before 1929 there was heavy depression in coal, cotton, shipping, shipbuilding, iron and steel, and engineering. For full occupation in these trades a recovery in export trade is essential. The accession of Great Britain to the rank of protected nations may certainly assist the internal situation for a time, but it tends to some further reduction or shifting in international trade. A very important aspect of the British problem lies in the readjustment in the staple trades, concentrated in certain areas. Much has been done in the last three years by the rationalization secured in the coal, iron and steel, and shipbuilding industries, and the prospects of reorganization in the cotton industry have improved. But these necessary developments involve displacements of labour, some of which may be permanent. The difficulties are enhanced by the concentration of the depressed industries in certain areas. There has been and is proceeding a considerable migration from the areas of distress southwards, but it is insufficient to solve the problem, and its extension beyond a certain point is undesirable. Depression in individual industries in the Midlands has been less serious in its social consequences because occupation has been available, at all events for

the younger people—in other industries. The special areas, where there are few alternative occupations, contain men who have shown in the past unequalled capacity for hard work and for skilled work, and the question inevitably arises whether the trend of industry southwards, away from those areas, which has been going on since the War, is altogether to be desired, or whether, even now, by influencing the direction of the expenditure of capital, some readjustment is possible.¹

Emphasis must be laid on the fact that the revival of export trade appears to be essential to a real and permanent recovery of the special areas. Export trade in the past was partly built up because this country was first in the field and because for a long time it was ahead of other countries in inventiveness and design; it was maintained side by side with a relatively high standard of living. A large part of British wealth has been derived in the past from the export trade, facilitated by the activities of the City of London as the greatest financial and commercial centre of the world. A halt has been called to the expansion of export trade, and the position of the 'City' is rendered more difficult by the general financial confusion of the post-war world. Perhaps full restoration of London's former primacy may not be possible, but it is reasonable to expect some degree of recovery.

The revival of export trade demands the maintenance of a relatively free market in the exporting country, and can hardly be reconciled with high protection; it is reconcileable with a moderate tariff policy if moderation is universal, if the present drastic restrictions in other countries on the movement of goods and capital are relaxed.

In any case Great Britain, with a modicum of foreign trade, remains a wealthy country, and many proposals have been put forward for making better use of her internal resources to reduce unemployment. These proposals include suggestions for changes in the control of investment. It is argued that the violent fluctuations in the producers' goods industries might be mitigated by a degree of central control of the direction and time of investment in conjunction with a suitable timing of Government expenditure on public works. A wise direction of investment could secure a better balance of economy by the development of certain industries and the gradual reduction in other industries. Entry into declining industries might be regulated on lines similar to those already adopted in the coal industry, and

¹ Since these pages were written, the Report of the Commissioner for the Special Areas of England and Wales (H.M.S.O., Cmd. 4957 of 1935) has been issued, making a series of practical proposals for the alleviation of unemployment in these areas.

might be applied simultaneously with the necessary reorganization of these industries.

Many proposals for planning on these and other lines have been made. The conditions of social and economic life in Great Britain have been changing for centuries, and there is no reason to regard the present organization as final. Indeed the changes in the last forty years have been very great, and the degree of State intervention to secure the necessary public services has been progressively extended. It is certain that the State will intervene more and more effectively in economic life, because the State is forced more and more to accept responsibility for the unemployed, and therefore cannot in the long run afford to disinterest itself in the positive problem of employment. Every country requires a careful examination of its economy to determine whether there is a failure of adaptation to the changing conditions of demand, and what changes are required to provide the necessary adjustment.

* * *

A certain degree of unemployment appears to be inevitable even in times of prosperity in every growing industrial system, since changes in industry bring some unemployment—and without change there is no life. But this 'normal' unemployment—the 'minimum' unemployment generally put at about half a million in Great Britain, and at about the same figure in Germany—can undoubtedly be lessened by better organization of the labour market, and it should not be of dimensions too large to be dealt with by a good insurance system. One effect of the crisis has been to produce a keener sense of the importance of vocational guidance and of placing services, in both of which great advances have been made in many countries. Similarly the advantages and the defects of insurance systems have been placed in a stronger light, and even in the United States, with her strong individualist tendencies, the necessity of organized defence against distress has been accepted.

The remedies for unemployment, therefore, must be so devised as to meet the exigencies of the particular case. It must be patiently tackled bit by bit. In so far as unemployment is due to crisis conditions, the problem is to remedy those conditions and to take measures to mitigate fluctuations in the future. Depression conditions are themselves world-wide and cannot be remedied by purely national action; they require a concerted international effort for the restoration of reasonable stability of the exchanges and the resumption of international trade; above all recovery requires a sense of political security and the prospect of peace. One-sided action for the

mitigation of unemployment is apt to be of a character which will invite retaliation. Recourse to unilateral action is explicable in periods of crisis, though even then it is undesirable. In normal times there is less excuse.

Indeed unilateral action, providing temporary alleviation in the country adopting such action, may definitely worsen the situation elsewhere, especially if that action takes the form of sudden restriction of imports, compelling the producing country, if it fails to tap new markets, to reduce employment. The area of possible new markets tends to contract, since Colonial Powers place an increasingly strict control on the markets of the territories dependent on them. The policy of the Open Door has virtually ceased to exist to-day except in mandated areas under general international control.

The problem of the 2 million unemployed in Great Britain, the 10 million unemployed in the United States, the 2 to 3 million in Germany, and the substantial numbers in other States is, it is submitted, a collective problem, and should be recognized as such.

On the political side there is a tardy and partial recognition that the avoidance of armed conflict is a question for collective action by the nations. The conception of collective security must be applied to economic problems. The International Labour Office and the Economic organization of the League of Nations provide the machinery for the organization of collective economic security. Their action can only be effective if public opinion in member States is convinced of the common interest of all States in securing a reasonable international economic system and is prepared to look at the unemployment problem as a world problem.

It has been the aim of this book to show some part of the misery arising out of unemployment, and to indicate the repercussions of national economic policies on employment within national borders and outside those borders. Its purpose will have been served if the attention of the ordinary reader and voter is directed to the necessity of thinking internationally in terms of employment just as he is learning to think internationally on purely political questions.

July 1935

APPENDIX I

TABLE XCV

LOSS IN WAGES DUE TO UNEMPLOYMENT IN GERMANY IN 1927-30

(Million RM)

Year	Quarter	(1) Gross loss of wages	(2) Sums paid as unemployment relief	(3) Net loss
			(% of (1))	
1927	1	940		
	2	580		
	3	410		
	4	590		
		2,520		
1928	1	820	180	410
	2	540	380	440
	3	490	230	310
	4	830	190	300
		2,680	1,080 = 40.3	1,600
1929	1	1,390	280	550
	2	700	510	880
	3	630	320	380
	4	1,100	260	370
		3,820	1,450 = 38.0	2,370
1930	1	1,650	360	740
	2	1,400	640	1,010
		3,050	560 = 39.3	1,850

Source: Calculated mainly from material in *Vierteljahrshefte zur Konjunkturforschung*, 1930, vol. ii, p. 45.

APPENDIX II

OFFICIAL DEFINITIONS OF 'UNEMPLOYMENT' IN VARIOUS COUNTRIES

TECHNICAL definitions of unemployment in the sense of defining the class entitled to benefit under an insurance scheme, for the purposes of an international convention, were supplied by various Governments in reply to an International Labour Office Questionnaire issued as a Preliminary to the International Labour Conference in June 1934.¹

The various countries were asked for a definition of 'unemployment' for the purpose of an international Draft Convention on Unemployment Insurance, consequently the answers were concerned with conditions of benefit under any convention which might be adopted. They reflect, in cases of countries where such systems are already in being, the conditions implied in these systems. They must therefore be accepted as relevant to the receipt of benefit and as relative, rather than absolute, definitions. But they do show some important variations in the notions of unemployment and of 'suitable' work for the purpose of the administration of the Acts. Even for that purpose they are approximate, and liable to alteration in periods of stress.

AUSTRIA.

It does not appear possible to give a uniform definition of unemployment. If, however, such a definition should be included in the Draft Convention, it will be necessary to provide that only regular workers, that is to say, persons whose livelihood depends on regular paid work, should be considered as unemployed persons entitled to benefit, to the exclusion of persons engaging in such work only occasionally. It would appear desirable to describe in the complementary recommendation the principal characteristics of total unemployment and short time to be taken into account for the purpose of unemployment relief.

BELGIUM.

Unemployment is a lack of work which affects a person who is normally engaged as a wage-earner or salaried employee and which is due to some cause independent of his own will other than physical incapacity.

- (a) 'Total unemployment' is unemployment affecting a worker whose contract of service has been terminated by the employer and who has given evidence of his intention to find other employment.
- (b) 'Intermittent unemployment' is unemployment affecting a worker whose contract of service has not been terminated but in whose

¹ Cf. International Labour Office: *Unemployment Insurance and Various forms of Relief for the Unemployed*, International Labour Conference, Eighteenth Session (1934, Geneva), pp. 22-8.

case the normal quantity of service rendered, and consequently the earnings, have been reduced owing to lack of work.

GREAT BRITAIN.

The following definition applicable both to total unemployment and to periods of suspension due to short time is suggested:

- '(i) A Person is unemployed on any day—
 - (a) on which he does no work under a contract of service, and
 - (b) in respect of which he is not entitled to wages under a contract of service, and
 - (c) on which he is not following any occupation from which he derives remuneration or profit, and
 - (d) which is not a day of holiday at the establishment where he works.
- '(ii) He may also be deemed to be unemployed on any day on which he follows a subsidiary employment or other occupation which could ordinarily have been followed by him in addition to his usual employment and outside the ordinary working hours of that employment provided that the remuneration or profit derived from his subsidiary employment or occupation does not exceed limits to be determined by national legislation.
- '(iii) He may be deemed to be not unemployed, notwithstanding that his employment has terminated, on any day in respect of which he continues to receive wages or receives compensation for the loss of and substantially equivalent to the wages which he would have received if the employment had not terminated.'

ITALY.

Total unemployment is the state of inactivity suffered by a worker in spite of his intention to find work and in spite of his physical fitness to carry on his trade or calling. Partial unemployment is the state in which a worker finds himself when, owing to causes independent of his own will and his physical fitness, he gives his services for less than half the time which is recognized in the labour market as the normal for the particular kind of employment.

SWITZERLAND.

For the purpose of this Convention all persons who habitually exercise a regular occupation for remuneration, who are willing to work, who are suitable for employment, and who, for the time being, are unable to earn their usual remuneration through no fault of their own, shall be deemed to be unemployed.

YUGOSLAVIA.

Unemployment means a total or partial lack of work suffered by a worker either involuntarily or voluntarily but for good reason.

- (a) Total unemployment means a lack of work resulting in the complete loss of the only economic resources available to provide the minimum means of livelihood.

- (b) Partial unemployment means a lack of work resulting in a partial loss of the only economic resources available to provide the minimum means of livelihood

An interesting corollary of these and other definitions sent in by other countries is supplied by the attempt to define what may be regarded as 'suitable employment', the refusal of which would deprive the claimant of a right to benefit. The answer sent by Great Britain points out the difficulty of a comprehensive definition of 'suitable employment', and proceeds to a definition by way of scheduling categories of work which may be regarded as definitely suitable or unsuitable for purposes of an insurance scheme. They are.¹

- (i) After a reasonable lapse of time employment should not be regarded as unsuitable merely because it is in a different occupation, if it conforms to the recognized standards of wages and condition.
- (ii) Employment in a different district should not be regarded as suitable if it offers wages and conditions less favourable than those recognized in the new district.
- (iii) If the employment offered is in the same district and of a kind which the worker usually follows the employment should not be regarded as suitable if the wages and condition are less favourable than the individual can reasonably expect having regard to what he has habitually obtained, or if they are less favourable than he would have obtained had he remained in employment.
- (iv) Employment should not be regarded as suitable if it is in a situation vacant in consequence of a strike or lock-out.
- (v) Personal factors, including the effect of employment on health and morals, depend so much on the individual's circumstances that they cannot well be dealt with in general terms. These considerations are inherent in the word 'suitable' and should be left to be applied by the adjudicating authorities on the merits of individual cases.

The Polish reply laid down the following principles:—

- (i) Employment in a different occupation should be regarded as suitable unless it is shown that the employment offered would make it impossible for the unemployed person to return to his own occupation in the future;
- (ii) The unemployed persons should be required to accept the employment if he can find a lodging in the new place of work;
- (iii) minor differences in the rates of wages current in the district should be disregarded;
- (iv) employment in an undertaking where a strike or lock-out is in progress should not be considered 'suitable employment'.
- (v) employment should be considered not suitable if its acceptance by an unemployed worker might prejudice him in the future exercise of his calling (cf. reply to (i) above).

¹ Op. cit., p. 57.

APPENDIX III

TABLE XCVI
POPULATION BY OCCUPATIONAL GROUPS
(In percentages of the total occupied population)

Countries, with total population (millions)	Total occupied population	Agric and fisheries	Mines and quarries	Industry	Com-merce	Ship-pong	Other transport	Army and Navy	Public admin	Liberal profes-sions	Domestic service, etc	Others not specified
10.4 Canada (1931)	3,924,500 = 100	31.1	1.8	24.8	15.1	8.3		0.2	2.3	6.6	5.4	4.4
122.8 U.S.A. (1930)	48,829,900 = 100	22.0	2.0	28.9	13.2	0.4	7.5	0.3	1.5	6.6	9.4	8.2*
65.3 Germany (1933)	32,296,500 = 100	28.9	4.1	36.3	13.6	0.5	4.3		8.4		3.9	
7.4 Belgium (1920)	3,205,200 = 100	19.1	6.6	39.9	10.7	0.8	6.8	2.2	3.3	3.6	5.0	2.0
40.2 France (1926)	21,394,100 = 100	38.3	2.0	31.2	11.5	0.3	5.3	1.6	2.2	3.6	4.0	
41.2 Italy (1931)	17,262,500 = 100	47.3	0.7	28.8	8.3	4.6		0.9	2.1	3.3	3.9	0.1
39.9 England and Wales (1931)	18,853,400 = 100†	6.4	5.1	31.7	14.3	8.7	8.7	1.0	0.6	4.6	11.5	8.8
147.0 U.S.S.R. (1926)	84,503,400 = 100	84.9	0.2	5.7	1.4	1.5		0.8	2.2	0.2		3.1
25.7 Poland (1921)	13,523,200 = 100	75.9	0.7	8.7	3.8		1.8	2.6	0.8	1.6	2.0	2.1
352.8 India (1931)	148,813,800 = 100	67.1	0.2	10.3	5.5	1.6		0.2	1.0	1.6	7.3	5.2

* Includes clerks in certain occupations.

† Clerks, accounting for 7.3 per cent, are omitted from these percentages (Source: League of Nations, *Statistical Year Book*. For more detailed information see the Census reports of individual countries. Summaries are provided in the 1935 edition (pp. 39-49) of the *Statistical Year Book*, giving for certain States the number of unemployed persons in each group.)

APPENDIX IV

INTERPRETATION OF BRITISH STATISTICS

It may be well to examine more closely¹ the meaning of the gross figures of British unemployment published month by month and to encourage a study of the composition of those figures given every month in the *Ministry of Labour Gazette*, but not generally available to the great mass of readers who derive their information from the daily press.

During the year 1933 about 6 million different persons, practically half of the total insured population, made claims for monetary payments on account of unemployment for longer or shorter periods. The 'new' claims to relief, that is to say, claims made by persons who had just left employment, averaged about 900,000 a month. The total count on any particular day includes some who have appeared on the record for some time, but also numbers of new applicants. The personnel of the register is always changing. It is important to realize that the Live Register is in a state of flux, if the misconception of a standing army of unemployed is to be avoided. Some of the persons registered are in and out of unemployment very rapidly.

This turnover of the Live Register, as it is called, is not readily apparent to one who reads the published information about the amount of unemployment, if he notes, as most people do, only the total figure of those unemployed on the particular day in the month when the count is made. The point can be seen most easily by a parallel.

Suppose one wanted to know how many people travelled on a bus going from Oxford Circus to the Crystal Palace. One would find out the number of tickets sold and it would appear that the majority were 1*d.* and 2*d.* tickets, while there were very few tickets for the whole journey. This is because some people travelled only for short distances; others for middle distances, but very few the whole way. If, however, a count were made at a particular point on the journey, say at Brixton, one would discover the number of people then in the bus, but what kind of tickets they had would not be known except by special inquiry. Without this there would be nothing to show how far they had travelled already, or how far they were going. The Live Register of the unemployed counts the unemployed on a particular day, and the material mostly published in the public press gives no details about the varying lengths of unemployment of the persons who are then unemployed. The spectacle is not that of a body of industrial workers, 2 million strong, who are wholly unemployed and surplus to industry. Indeed, if 2 million workers were suddenly removed from indus-

¹ For a general discussion of the meaning of the British unemployment figures see a paper by Mr. J. A. Dale read before the Royal Statistical Society in Dec. 1933, and published in the Society's *Journal*, 1934, part I. Also *Ministry of Labour Gazette*, especially the analysis by sample, given in the numbers of Sept. and Oct. 1933.

try, there would be a serious shortage of labour. The spectacle is rather one of 6 million workers, the half of the insured population, who are unemployed for longer or shorter periods during a year, some of them suffering little and others of them severely.

Unemployment counts are taken on a definite day and include the short and the long term unemployed on that day. They require to be read with the attendant qualifications in mind.

On March 19, 1934, the gross total of unemployment for Great Britain was over 2 millions, the composition of which was as follows:

TABLE XCVII

Analysis of British Unemployment Figures on March 19, 1934

	<i>Wholly unemployed</i>	<i>Temporarily stopped</i>	<i>Casuals</i>
Claims for Insurance Benefit	534,357	270,517	64,987
Claims for Transitional Payments	927,167	22,510	26,380
In receipt of neither of above	204,558	19,595	801
Uninsured persons	130,705	..	..
Totals	1,796,787	312,622	92,168

Under 'temporarily stopped' are included those unemployed persons who expect to return to their previous work within six weeks. If at the end of that time they are not employed they are re-classified as wholly unemployed. Some are short-time workers, but these obviously do not all come on the register at the same time. The rubric 'casual' covers labour which is always intermittent in character, a certain amount of intermittence being recognized as inevitable in the trades affected, notably dock labour, in which wages are for this reason on a half-day basis. The seriousness of this intermittence is not denied, but it does not in most cases represent the same hardship as long-continued unemployment. The existence of unemployment insurance undoubtedly makes it easier for employers to lay off workers for short periods, or to work their plant short-time, and this is an important consideration in labour costs.

Now if the 'temporarily stopped' (in no case for more than six weeks, as otherwise the names would be inscribed as wholly unemployed) and the casuals are excluded for the moment (without denying the degree of serious unemployment which these sections involve), we still have a figure of unemployment of over 1½ millions. This figure represents persons who are entirely out of a job, but the period of their unemployment, which may be negligible or may be long, is undefined.

The count tends to give the idea of a fictitious equality, belied by the economic and the social facts. The figures of men, women, and juveniles are given separately, and to that extent a rough estimate can be made of those who are responsible for the maintenance of a family, though a large

proportion of unemployed adults are not responsible for the maintenance of dependents. But there is no indication of whether the current spell of unemployment recorded on the particular day is for a day, a week, a month, or a year. Many of the cases recorded were out of work for short periods only.

A serious figure is that for those who have had little work in the last two years, e.g. those who have been able to make less than 30 contributions in that time. These figures showed a steady increase down to the end of 1933. For men only there are:—¹

TABLE XCVIII

Unemployed Persons with less than 30 Contributions in two Previous Years
(In thousands)

	1930	1931	1932	1933	1934	1935
February .	131	327	435	638	684	591
May .	262	327	468	660	655	..
August .	279	374	508	667	610	..
November .	298	423	580	686	598	..

Often enough the small bits of work which have enabled these men to make what contributions they have made has been of a purely casual kind, odd jobs of no particular value. It is among these workers and among those in all three groups applying for transitional payments that we have what is known as the 'hard core of unemployment'. Claims for transitional benefit are made by those who have paid less than 30 contributions in the preceding two years and those who have been unemployed for more than 26 weeks in a year and have since had little work. These men and women are obviously seriously unemployed.²

Another indication of heavy unemployment is provided by the figures, published monthly, of those who, on the day of the count, have been unemployed for a year.

They numbered 300,000 men and 37,000 women in January 1931. Since that date the count of women has decreased, but the count of men unemployed has increased. By January 1933 it was 447,000 and even with the improvement towards the end of the year, it was 433,000 in December; further improvement in 1934 brought the figure down to 368,000 in November. Again, these are not all of them the same individuals, though the turnover among the persons in this group month by month is probably small, certainly very much smaller than in the Live Register as a whole.

Various reasons are given for the increase in these figures since 1930, and certainly the varying conditions under which payments are available affect this total very considerably. But the main facts point to more substantial causes.

¹ In Feb. 1935 there were 28,000 women in the same class.

² For the figures see Mr. J. A. Dale's paper already cited, p. 91.

The 'hard core of unemployment' of about half a million is found to contain more old than young men, and it is very unevenly distributed by occupation and by district. One of the industries largely contributing is the coal-mining industry carried on in districts where there are often few alternative occupations. It includes men who have been in full work until a few years ago and others whose recorded work is small.

In addition to the figures provided monthly of persons who have been out of work for defined periods, the Ministry of Labour made an analysis by sample of unemployment for April 1926, July 1930, and July 1932. The 1932 inquiry¹ covered age distribution, rates of unemployment in various age-groups, age distribution in different industries, married women; transferences from one industry to another, contributions, benefit and unemployment record; variations of unemployment in different industries; contributions paid in various insurance years, contribution record for the seven years 1925-32; benefit record for the same period, the effect of the recent depression on the unemployment record; unemployment in the 52 weeks ended November 30, 1932, also for the two years ending on that date; last spell of continuous unemployment, intermittency of unemployment; contribution and benefit record for a year, analysis of unemployment experience; dependency. The report is too long to summarize in any detail in these pages, but it is of great importance to the student. Some of the more important conclusions which may be drawn from this investigation by sample of unemployed insured persons on July 1932, taken in December 1932 are:

Once a worker has been unemployed there seems to be a tendency towards recurrence of unemployment, though in widely varying degrees. The recurrence may be in some instances for personal reasons, among which age is the most frequent, but is generally due to the conditions of the industry to which the worker is attached.

There is a large body of workers who are subject to unemployment in varying degrees. In many cases the spells of unemployment are short, and over a period there would be far more work than unemployment. In others, the spells of unemployment greatly exceed the periods of employment, and persons who are unfortunately in this group are mainly to be found in the depressed areas.

On the other hand a majority of the whole body of workers do not fall in any year on the unemployed register. For example, in the 52 weeks ended November 30, 1932, 52.1 per cent. (4,600,000 men and youths) of the insured men and 64.3 per cent. of the insured women (2,053,000 women) did not register as claimants at all. On the other hand, on November 30, 1932, there were 330,000 men and youths who had had no unemployment at all for a year; 98,000 had been continuously unemployed for two years.

Between these two extremes, those in continuous employment and those unemployed continuously for a year or more, there is a mass of labour

¹ *Ministry of Labour Gazette*, Sept.-Oct. 1933.

suffering from shorter periods of unemployment. Of the 4½ million persons (male only) proving unemployment at some period during the year over one-seventh were unemployed for only four weeks or less during the year; over one-third for twelve weeks or less, while only about one in thirteen was unemployed for the whole period (or about one in thirty of the insured population).

A decline in the number of insured persons between the ages of 16 and 64 was due in the 16-18 group perhaps to the low birth-rate in the war years, but in the 18-24 group probably to the depression and the difficulty of finding insured employment. Numbers and proportions of insured persons in the higher age groups tend to increase.

The proportion of unemployment among men was 21·8 per cent., women 9·5 per cent. The unemployment problem is mainly one of male labour.

The tendency to unemployment among men increases with age; the proportion unemployed was substantially greater between the ages of 50 and 64. The report estimates the number of persons whose unemployment on November 28, 1932, was directly due to advancing age at 122,000. The depression, by diminishing the number of new entrants into the heavy trades, has affected age distribution in particular industries. These industries now include comparatively high proportions of older men.

There is a heavier incidence of unemployment among married women and widows than among single women.

In industries requiring training there are relatively few transfers from other industries, but comparatively large proportions of those in the artificial silk, chemical, vehicle-making, and public works contracting industries come from other trades. There seem to have been considerable transfers from engineering into the building and motor (vehicles and aircraft) trades, and even into the distributive trades. Very few workers are transferred from other industries into highly localized trades, such as cotton and coal, in which there are few vacancies, not only because of depression, but because workers remain attached to the trade to a higher age than in most industries. The analysis by sample of insured persons showed that 37 per cent. had had at least one change of occupation.¹

The high proportion of persons in the cotton and woollen industries who have drawn benefit is largely due to the practice in these industries of reducing unemployment by working short-time in such a way that the

¹ *The Ministry of Labour Gazette* for Nov 1934 (p 411) gave details of new entrants into and of normal wastage and transfers from each industry in the twelve months ending in June 1934. The percentage of new entrants reckoned on the total of insured persons in each industry was highest in the miscellaneous group of 'other industries and services', and was high (8 per cent. or over) in the laundry, hotel, commerce and finance, distributive trades and electrical groups; it was over 5 per cent. in the rubber, musical instruments, printing and paper, woodwork, food, clothing, leather, textile (other than cotton and wool), glass, and brick industries. In certain industries where the net reduction was large—cotton weaving, coal, shipbuilding—new entries were round about 2 per cent. and in cotton preparing and spinning 3 per cent.

workers have been able to maintain claims to benefit. In these trades the average payment of contributions remains high, but claims to benefit are more numerous, relatively, than in most trades

Examination of contribution and benefit record between 1925 and 1932 seems to show that the depression did not add appreciably to the 'standing army' of the unemployed, which remained at about 100,000.

The effect of the depression is reflected not only in the numbers unemployed on a particular date but on the longer periods of unemployment. Each person unemployed is out of work on the average for a longer period.

Among the persons unemployed on November 28, 1932, long-continued unemployment (48 weeks in 12 months) was heaviest in coal-mining, 98,000; engineering, 55,000, shipbuilding and ship-repairing, 46,000; building, 39,000, public works contracting, 42,000, iron and steel, 22,000; and in the distributive trades.

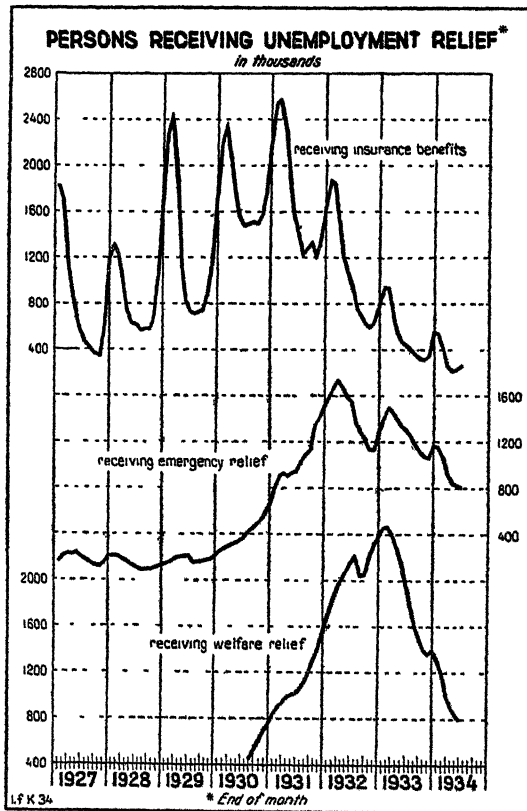
APPENDIX V

DURATION OF UNEMPLOYMENT IN GERMANY

FIGURES in respect of periods of unemployment in Germany were published regularly, up to 1933, in the *Statistische Beilage zum Reichsarbeitsblatt*. The tabulation differs from the corresponding English analysis in the *Ministry of Labour Gazette* in so far as the German figures do not refer to the 'periods of registered unemployment' (U.K.) but to the periods of benefit receipt, the periods are given separately for unemployment benefit and for emergency relief (transitional payments).

Attention is therefore directed to the table below, which shows the composition of unemployment benefit in different years and to the diagram showing the great increase in welfare relief in 1932-3, and the corresponding decrease in the number of persons in receipt of benefit.

DIAGRAM XIV



Supplement to Weekly Report of the Institut für Konjunkturforschung, Berlin, August 1, 1934.

Reproduced by courtesy of the Institut für Konjunkturforschung, Berlin.

TABLE XCIX
UNEMPLOYMENT INSURANCE AND RELIEF IN GERMANY

Date	A. THE LENGTH OF THE PERIODS OF BENEFIT RECEIPT										B. THE UNEMPLOYED ACCORDING TO TYPE OF BENEFIT OR RELIEF OR OF PAYMENTS					
	Unemployment Insurance					Transitional Payments					Number of persons in receipt of benefit transitional payment or relief	Number of other unemployed persons (Col. 11 minus Col. 12)	Percentage of Col. 12 unemployed persons in receipt of benefit transitional payments	Percentage of Col. 12 unemployed persons in receipt of relief		
	Percentage of recipients of benefit for					Percentage of recipients of benefit for										
	more than 6 or less 13 weeks	more than 6 or less 13 weeks	more than 6 or less 13 weeks	more than 6 or less 13 weeks	more than 6 or less 13 weeks	more than 6 or less 13 weeks	more than 6 or less 13 weeks	more than 6 or less 13 weeks	more than 6 or less 13 weeks	more than 6 or less 13 weeks						
1931	2,398,900	60.8	39.2	39.2	788,900	47.9	29.6	18.5	4.0	52 or more weeks	52 or more weeks	4,886,000	4,210,900	676,000	61.3	19.5
1932	1,779,100	39.2	37.0	23.8	1,547,400	40.6	37.2	17.5	4.7	-	-	6,041,900	5,194,600	847,300	86.7	32.3
1933	868,000	45.9	34.2	19.9	1,348,400	25.5	28.1	28.1	14.6	3.7	3.7	6,013,600	4,881,400	1,132,200	20.0	50.3

* tall 5 x 31, i.e. 13-26 weeks

† tall Dec. 1932 only one note 'over 39 weeks'

¹ If the percentage figures in the above table showing the proportions receiving the various kinds of relief are calculated on the total of unemployment (i.e. on col. 11 instead of col. 12) the proportion receiving standard benefit is substantially lower (cf. Weigert (O.), *Placement and Unemployment Insurance in Germany*, already cited, p. 174).

APPENDIX VI

UNEMPLOYMENT AMONG YOUNG PERSONS

TABLE C

THE following particulars are mainly taken from *Unemployment Among Young Persons*, published by the International Labour Office 1935. The British figures are from the *Ministry of Labour Gazette*, September 1933.

<i>Country</i>	<i>Date</i>	<i>Age-group</i>	<i>No. un- employed</i>	<i>Per cent. of total unemploy- ment</i>	<i>Source and Notes</i>
Belgium	Autumn 1933	16-20	39,850	..	Insurance returns
"	"	"	70-80,000	..	Estimate of M. Renard, May 15, 1934, includ- ing uninsured juveniles.
Czecho- slovakia	Feb. 1933	14-24	113,471	22.8	Special official inquiry.
Denmark	May 5, 1933	18-22	19,234	..	Special official inquiry.
		23-25	17,038		
			<u>36,272</u>	28.1	
Finland	Oct. 1933	16-20	3,296	..	Special official inquiry.
		21-25	4,069		
			<u>7,365</u>	33.3	
Germany	June 16, 1933	17 yrs. & under 18-24	166,467	..	Employment Exchange figures. Special inquiry.
			1,150,966		
			<u>1,317,433</u>	26.1	
	June 16, 1934	17 yrs & under 18-24	135,168	..	Similar special inquiry.
			<u>372,696</u>		
			<u>507,864</u>	18.8	The change in the figures is partly but only partly explained by the vari- ous measures adopted for the occupation of young people. The la- bour camps account for about 220,000.

<i>Country</i>	<i>Date</i>	<i>Age-group</i>	<i>No un- employed</i>	<i>Per cent. of total unemploy- ment</i>	<i>Source and Notes</i>
Great Britain	Nov 28, 1932	16-17	38,700		Analysis by sample This figure omits unemployment under the age of 16, about 60,000 There has been decrease since 1932.
		18-20	192,600		
		21-24	310,500		
			<u>541,800</u>		
Hungary	1930	Under 25 years	92,654	41.3	Population Census.
Italy	1932	15-19	142,517	..	National Fascist Inst of Social Welfare Persons drawing Insurance Benefit.
		20-25	<u>244,139</u>		
			<u>386,656</u>	41.5	
Japan	1930	14-19	131,622	..	Applicants at Employment Exchanges.
	1932	„	270,911		
Netherlands	Oct. 1933	Under 18	7,359	..	Employment Exchange figures.
		18-25	<u>48,804</u>		
			<u>56,163</u>	27.8	
Norway	1933	18-24	20,000	27.0	Special inquiry.
Sweden	Nov. 30, 1933	16-25	57,412	33.7	Registrations with Unemployment Committee. Of these nearly 15,000 were occupied on reserve works or in vocational courses.
Switzerland	Jan. 1934	Under 20	1,784	..	Employment Exchange statistics.
		20-24	<u>5,485</u>		
			<u>7,269</u>	15.0	
United States	April 1930	10-14	4,112	..	Census figures.
		15-19	344,060	..	Complete unemployment of young persons represented 28.2 per cent. of total, partial unemployment 26.1 of the total.
		20-24	534,502		

APPENDIX VII

TABLE CI

EMPLOYMENT, UNEMPLOYMENT, AND INDUSTRIAL PRODUCTION IN GREAT BRITAIN, 1925-34

	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Estimated total numbers aged 16-64 insured against unemployment in Great Britain (Quarterly averages 'Thousands')	11,200 11,254 11,300 11,336	11,372 11,408 11,448 11,463	11,493 11,513 11,541 11,565	11,509 11,624 11,694 11,750	11,768 11,929 11,870 11,928	11,905 12,115 12,197 12,280	12,380 12,487 12,550 12,620	12,572 12,613 12,559 12,620	12,505 12,613 12,631 12,648	12,683 12,682 12,701 12,715
Estimated numbers of insured persons in employment in Great Britain (excluding persons unemployed, sick, or directly involved in trade disputes), (Quarterly averages 'Thousands')	9,574 9,624 9,524 9,720	9,812 9,900 8,473 9,064	9,851 10,094 10,076 10,055	10,028 10,078 9,978 9,997	10,048 10,277 10,309 10,245	10,033 9,880 9,724 9,592	9,320 9,487 9,363 9,525	9,421 9,375 9,300 9,366	9,332 9,621 9,807 9,966	9,961 10,170 10,190 10,222
Registered unemployed in Great Britain (Quarterly averages, Thousands)	1,240 1,225 1,264 1,197	1,140 1,390 1,584 1,463	1,259 1,031 1,050 1,107	1,149 1,119 1,288 1,355	1,358 1,543 1,162 1,281	1,543 1,762 2,045 2,297	2,622 2,574 2,734 2,668	2,666 2,714 2,845 2,757	2,845 2,573 2,397 2,368	2,303 2,110 2,115 2,109
Males	1st Qr. 2nd .. 3rd .. 4th ..	982 986 1,046 996	1,034 853 865 919	956 933 1,045 1,103	1,105 916 919 1,020	1,175 1,302 1,509 1,720	1,878 2,078 2,098 2,118	2,197 2,263 2,363 2,319	2,362 2,537 2,634 1,941	1,933 1,753 1,753 1,758
Females	1st Qr. 2nd .. 3rd .. 4th ..	258 239 245 201	212 306 352 294	225 172 185 188	193 186 243 252	248 217 233 261	308 460 637 560	460 463 480 438	483 416 363 327	370 337 365 351
Wholly unemployed (males and females)	1st Qr. 2nd .. 3rd .. 4th ..	Figures not available	965 900 958 1,011	884 746 896 827	1,084 885 869 1,007	1,179 1,260 1,411 1,726	1,993 1,969 2,061 2,198	2,197 2,102 2,150 2,265	2,322 2,070 1,937 1,932	1,967 1,737 1,681 1,797
Temporarily stopped (males and females)	1st Qr. 2nd .. 3rd .. 4th ..	Figures not available	294 285 320 280	265 285 324 324	269 248 274 274	364 402 574 571	620 608 473 470	489 612 493 492	513 494 480 536	336 372 434 512
Industrial Production—Board of Trade Index Number (1924 = 100)	1st Qr. 2nd .. 3rd .. 4th ..	Figures not available	108.8	109.3 103.6 100.2 108.4	110.6 112.0 110.7 114.0	111.0 103.1 99.5 99.0	94.6 92.1 89.3 87.3	95.0 94.3 87.4 95.0	94.8 96.7 96.8 105.0	109.4 109.7 103.2

Source. Supplement to the Ministry of Labour Gazette, Feb. 1935

APPENDIX VIII
INDUSTRIAL PRODUCTION IN THE U.S.S.R.

TABLE CII

<i>Product</i>	<i>Unit</i>	<i>1928</i>	<i>1929</i>	<i>1930</i>	<i>1931</i>	<i>1932</i>	<i>1933</i>	<i>1934</i>
Electricity	Kw hours (000,000's)	5,003	6,386	8,231	10,453	13,300	16,366	20,520
Coal and lignite	Metric tons (000,000's)	35 8	41 7	47 1	53 5	63 0	76 0	93 7
Crude oil	"	12 3	14 5	18 6	22 3	22 3	22 4	25 5
Pig-iron	"	3 3	4 3	5 0	4 9	6 2	7 1	10 4
Steel	"	4 2	4 9	5 8	5 6	5 9	6 8	9 6
Machines	Roubles (000,000's) (at 1926-7 prices)	1,122	1,619	2,421	4,796		8,186	10,260
Motor-cars	Number (000's)	0.9	1 5	8 5	20 5	25 4	49 7	72 5
Tractors	"	1 4	4 5	12 7	33.1	50 6	..	94 4
Cotton piece-goods	Metres (000,000's)	2,871	3,068	2,161	2,087		2,737	2,711

(The 1934 figures are provisional.)

APPENDIX IX

STATISTICS OF EMPLOYMENT AND UNEMPLOYMENT FOR VARIOUS COUNTRIES⁺

TABLE CIII
Number of Persons Unemployed[†]
(Yearly averages)

	<i>Australia</i> ¹	<i>Chile</i> ²	<i>Estonia</i> ³	<i>Finland</i> ⁴		<i>Netherlands East Indies</i> ⁵	<i>Irish Free State</i> ⁶
				(a)	(b)		
1926	29,326	.	2,145	1,956	.	.	25,334
1927	31,032	.	2,957	1,868	.	.	21,284
1928	45,669	.	2,629	1,735	.	.	22,487
1929	47,359	.	3,181	3,906	.	.	20,702
1930	84,767	.	3,069	7,993	.	.	22,398
1931	117,866	29,345	3,542	11,522	.	6,964	25,230
1932	120,454	107,295	7,121	17,581	63,972	10,922	62,817
1933	104,035	71,805	8,210	17,139	44,656	14,576	72,255
1934	86,865	30,055	2,970	10,011	23,802	15,784	103,671

	<i>Norway</i> ⁷	<i>New Zealand</i> ⁸	<i>Palestine</i> ⁹	<i>Portugal</i> ¹⁰	<i>Rumania</i> ¹¹	<i>Switzer- land</i> ¹²	<i>Mexico</i> ¹³
1926	23,467	.	.	.	.	.	.
1927	23,889	.	.	.	.	11,824	.
1928	21,759	.	.	.	10,373	8,380	.
1929	19,089	2,895	3,104	.	7,288	8,131	.
1930	19,353	5,003	4,833	.	25,355	12,881	75,689
1931	27,479	41,430	24,083	.	35,737	24,208	257,722
1932	32,705	51,549	18,239	33,352	38,890	54,366	339,372
1933	35,591	53,382	18,370	25,255	29,063	67,867	275,774
1934	35,121	47,028	.	.	17,253	65,440	.

(The line drawn across series indicates modifications in the nature of the count.)

¹ Trade Union Returns.

² Employment exchange statistics.

³ Ditto.

⁴ (a) Employment exchange statistics; (b) Statistics of local unemployment commissions.

⁵ Employment exchange statistics relate to European, Chinese, and Natives in some of the more important towns

⁶ Employment exchange statistics. After May 1932 include unemployed in rural areas, registered at post offices and public stations.

⁷ Employment exchange statistics

⁸ Employment exchange statistics Since Jan. 1931 figures include workers on relief works

⁹ Official estimates.

¹⁰ Employment exchange statistics.

¹¹ Employment exchange statistics. Trade Unionists excluded as they do not register at the employment exchanges.

¹² Employment exchange statistics. July 1931 change in system of registration.

¹³ Official estimates.

* Tables relating to Germany, France, and U.S.A. have already been given in Part I, and for Great Britain in Appendix VII.

† For a note on the comparability of national statistics, see Chapter III.

TABLE CIV

*Statistics of Unemployment and Employment**

(Yearly averages or indices) .

	AUSTRIA		BULGARIA		BELGIUM		
	<i>Employ- ment</i> ¹	<i>Unemp</i> ²	<i>Emp.</i> ³	<i>Unemp</i> ⁴	<i>Emp</i> ⁵ <i>Index</i>	<i>Unemployed</i> ⁶	
						<i>Wholly</i>	<i>Partially</i>
1925	.	149,980	..	..	.	8,691	16,006
1926	.	176,537	..	.	.	11,112	23,763
1927	1,376,049	172,450	..	..	100 0	5,386	22,293
1928	1,446,027	156,185	..	.	100 2	8,462	18,831
1929	1,448,845	164,509	68,032	.	100 0	23,250	50,918
1930	1,378,330	208,389	67,823	..	96 6	79,186	121,890
1931	1,255,353	253,368	66,485	.	87 4	161,468	175,259
1932	1,107,256	309,968	68,525	22,153	78 2	168,023	170,023
1933	1,022,942	328,844	57,960	24,977	81.1	182,855	166,229
1934	1,010,993	287,528	60,109	32,762	78 3		

¹ Sickness insurance statistics.² Unemployed in receipt of benefit.³ Employers' returns.⁴ Official estimate.⁵ Voluntary unemployment insurance statistics.⁶ Unemployment insurance statistics.

	CANADA		DENMARK		HUNGARY	
	<i>Emp.</i> ¹ <i>Index</i>	<i>Unemp.</i> ²	<i>Emp.</i> ³ <i>Index</i>	<i>Unemp.</i> ⁴	<i>Emp.</i> ⁵	<i>Unemp.</i> ⁶
1925	..	17,206	.	..	..	..
1926	..	12,881	..	60,495	..	13,309
1927	88.1	13,541	..	65,620	1,033,609	13,881
1928	94.2	12,758	.	51,864	1,064,599	14,715
1929	100.0	14,966	..	44,581	1,051,169	15,173
1930	94 5	33,008	.	40,551	990,776	43,592
1931	85 3	71,385	100	59,430	937,298	52,305
1932	72 5	75,140	91.6	126,039	862,469	66,235
1933	70 6	81,809	102.4	121,115	853,203	60,595
1934	80 9	88,888	110.3	97,595	913,068	52,157

¹ Employers' returns (employing 15 workers or more).² Employment exchange statistics.⁴ Employment exchange statistics.⁶ Employment exchange statistics.³ Employers' returns.
Social insurance statistics.

	ITALY		JAPAN		LATVIA	
	<i>Emp.¹ Index</i>	<i>Unemp.²</i>	<i>Emp.³ Index</i>	<i>Unemp.⁴</i>	<i>Emp.⁵</i>	<i>Unemp.⁶</i>
1925	.	110,298	..	.	.
1926	.	113,901	.	.	.	2,794
1927	.	278,484	104.1	.	148,288	3,131
1928	..	324,422	99.2	.	161,483	4,700
1929	100.0	300,787	100.0	.	171,195	5,617
1930	97.3	425,437	90.0	369,409	179,636	4,851
1931	88.8	734,454	81.7	422,755	168,208	8,709
1932	78.5	1,006,442	82.0	485,681	140,977	14,587
1933	79.4	1,018,955	89.9	408,710	149,722	8,156
1934	83.1	963,677	100.2	372,941	162,837	4,965

¹ Employers' returns (Fascist General Industrial Confed.). The Min. of Corporations Index shows a figure of 72.1 for 1934.

² Social insurance fund statistics. Since July 1933 Employment exchange statistics.

³ Employers' returns.

⁴ Official estimates.

⁵ Sickness insurance statistics.

⁶ Employment exchange statistics.

	NETHERLANDS		POLAND		SWEDEN		
	<i>Emp.¹ Index</i>	<i>Unemp.²</i>	<i>Emp.⁴ Index</i>	<i>Unemp.⁵</i>	<i>Emp.⁶ Index</i>	<i>Unemployment⁷</i>	
						(a)	(b)
1926	.	..	..	..	..	28,169	.
1927	98.6	..	89.5	163,953	94.2	31,076	25,476
1928	100.6	..	99.7	125,552	98.1	29,716	24,399
1929	100.0	..	100.0	129,450	100.0	32,621 ⁸	21,770
1930	98.3		86.8	226,659	100.0	42,016	25,156
1931	90.3	138,200	73.9	299,502	91.3	64,815	40,938
1932	79.2	271,100	63.3	255,582	85.6	90,677	82,235
1933	78.0	323,000	62.9	249,660	84.6	97,316	125,881
1934	76.8	332,700 ⁸	68.0	342,166	91.6	84,685	97,677

¹ Voluntary unemployment insurance statistics. Series since recalculated.

² Employment exchange statistics.

³ Unemployment insurance statistics give lower figures in each year.

⁴ Employers' returns.

⁵ Employment exchange statistics.

⁶ Federation of industries statistics.

⁷ (a) Trade Union returns. (b) Local unemployment committee statistics.

⁸ From 1929 onwards includes forestry.

	CZECHOSLOVAKIA		UNION OF S. AFRICA	YUGOSLAVIA	
	<i>Employment</i> ¹	<i>Unemp</i> ²	<i>Emp</i> ³ (inc natives)	<i>Emp</i> ⁴	<i>Unemp</i> ⁵
1926	.	67,851		.	.
1927	2,618,516	52,869	95 9	.	.
1928	2,487,640	38,636	98 2	565,916	5,721
1929	2,506,190	41,630	100 0	605,064	8,370
1930	2,446,197	105,442	98 1	629,682	8,198
1931	2,312,596	291,332	93 8	609,260	9,930
1932	2,069,014	554,059	87·2	537,235	14,761
1933	1,888,580	738,267	91 2	520,980	15,997
1934	1,877,995	676,994	102 3	543,566	15,647

¹ Social insurance statistics. Later corrected figures available in *International Labour Review* July 1935.

² Employers' returns.

³ Employment exchange statistics.

⁴ Social insurance statistics.

⁵ Employment exchange statistics.

The figures in the above tables are derived from the *International Labour Review*. For explanations of the composition of the various series see notes given in the number for January 1935.

APPENDIX X

INTERNATIONAL PRICE STATISTICS

THE following table gives the index numbers of wholesale prices for a number of countries. For comparison a column is added to the table showing the index number of gold prices (calculated upon the same base) at the latest date available.

TABLE CV
Index Numbers of Wholesale Prices in Various Countries
March 1929–March 1934

(Base: March 1929 = 100)

<i>Country</i>	<i>March 1930</i>	<i>March 1931</i>	<i>March 1932</i>	<i>March 1933</i>	<i>March 1934</i>	<i>Gold prices March 1934</i>
Czechoslovakia . .	87.0	79.4	72.3	68.0	69.6	69.6
Germany . . .	90.5	81.6	71.5	65.3	68.7	68.7
Austria . . .	91.0	80.5	85.0	80.5	85.0	65.8
Switzerland . .	92.4	80.1	69.6	63.5	64.1	64.1
France . . .	85.5	82.5	68.0	59.7	60.3	60.3
Poland . . .	88.9	77.8	68.9	60.6	58.1	58.1
Belgium . . .	89.1	75.9	63.1	58.0	55.0	55.0
Italy . . .	87.4	71.3	64.5	57.5	55.1	53.5
Netherlands . .	83.5	70.1	54.9	48.2	53.0	53.0
China . . .	106.9	121.1	112.1	102.9	92.8	46.8
Yugoslavia . .	85.5	70.0	63.6	62.9	59.4	45.5
Sweden . . .	86.8	78.5	75.7	72.9	77.8	45.4
Netherlands Indies	92.7	74.0	60.7	48.0	45.3	45.3
New Zealand . .	99.8	92.6	89.5	88.9	90.5	45.1
Canada . . .	96.0	77.9	72.2	67.4	75.3	44.7
Australia . . .	91.9	81.3	80.2	74.4	81.4	40.4
India . . .	87.4	69.9	65.7	57.3	61.5	38.5
Argentina . . .	97.4	88.8	94.0	86.4	97.4	34.8
United States . .	93.9	79.1	68.7	62.6	76.7	31.3
Japan . . .	86.6	70.0	70.1	78.4	78.2	28.0
United Kingdom .	88.7	75.6	74.6	69.6	74.0	27.6

Source: League of Nations, *World Economic Survey, 1933–4* (Geneva), p. 139.

TABLE CVI

Index Numbers of Wholesale Price Movements of Certain Foodstuffs and Raw Materials, 1929-34

(Base. January 1929 = 100)

	<i>Sterling prices January</i>		<i>Gold prices January</i>	
	1933	1934	1933	1934
Coal . .	101	101	71	65
Bacon . .	66	98	46	63
Timber . .	79	95	55	61
Beef . .	96	94	67	61
Pig-iron . .	88	88	58	56
Sugar . .	72	77	50	49
Mutton . .	65	75	45	48
Linseed Oil . .	64	71	45	46
Cotton . .	49	60	34	38
Wool . .	31	54	22	35
Wheat . .	60	50	42	32
Rice . .	60	48	41	31
Copper . .	41	46	29	29
Coffee . .	59	45	41	29
Rubber . .	19	44	13	28
Maize . .	46	42	32	27
Silk . .	40	35	28	23

Source: League of Nations, *World Economic Survey, 1933-4* (Geneva), p. 142.

The sterling prices given above are based on quotations in the London market, the gold prices on quotations in important producing areas or markets, unchanged when the quotations are on a gold currency, but converted at current rates when originally quoted in a gold currency. Controls and restrictions of various kinds affect some of these prices.

APPENDIX XI

COAL PRODUCTION

THE course of world production of coal since 1924, as compared with pre-war production, is shown in table CVII:

The particulars relate chiefly to bituminous coal and anthracite.

TABLE CVII
Coal Production

(in million tons)

	<i>Average 1909-13</i>	<i>1924</i>	<i>1926</i>	<i>1928</i>	<i>1929¹</i>	<i>1930</i>	<i>1931</i>	<i>1932</i>	<i>1933</i>	<i>1934²</i>
United Kingdom	269.6	267.1	126.3	237.5	259.1	243.9	219.5	208.7	207.1	220.9
South Africa	6.6	11.6	12.7	12.4	12.8	12.0	10.7	9.8	10.5	12.7
India .	14.9	21.2	21.0	22.5	23.4	23.8	21.7	20.2	19.8	20.7
Germany .	119.2 ²	116.9	143.0	148.4	160.9	140.4	116.8	103.1	108.0	123.0
Belgium	22.9	23.0	24.8	27.1	26.5	27.0	26.6	21.1	24.9	25.9
France .	41.2 ²	43.3	50.6	50.5	52.9	53.0	49.2	45.5	46.1	47.0
Saar ¹ .	11.3	13.8	13.5	12.9	13.4	13.0	11.2	10.3	10.4	11.1
Poland .	35.4 ²	31.8	35.2	40.0	45.5	36.9	37.7	28.4	26.9	28.8
U.S.S.R.	23.4 ²	16.0	27.2	35.4	41.0	48.0	55.7	63.3	74.6	92.0
U.S.A. .	457.2	510.4	587.3	514.4	543.6	479.4	394.4	321.0	342.1	370.4
Japan .	17.6	29.6	30.9	33.3	33.7	30.9	27.5	27.6	32.0	36.6

¹ Post-war territory.

² Provisional and in part estimated.

³ Source. League of Nations, *International Statistical Year Book* (various years) Metric tons converted to long tons at .984206 long ton = 1 metric ton.

APPENDIX XII

IRON AND STEEL PRODUCTION

TABLE CVIII
*Indices of Movement of Production in Iron and Steel*¹
(1927-1929 = 100)

	1929	1930	1931	1932	1933	1934
<i>Pig-iron</i>						
Belgium . . .	104.6	86.9	82.5	71.1	70.0	74.2
France (and Saar) . .	105.6	101.2	82.3	58.3	67.0	67.6
Germany . . .	104.9	75.9	47.5	30.8	41.2	68.5
Japan . . .	106.2	112.4	91.8	101.0	137.1	164.9 ²
United Kingdom . .	105.9	86.4	52.7	49.9	57.8	83.5
United States . .	109.0	81.2	47.1	22.5	34.1	40.8
<i>Crude steel</i>						
Belgium . . .	105.3	86.0	79.6	71.6	69.9	75.1
France (and Saar) . .	106.1	101.4	83.4	63.3	73.1	72.1
Germany . . .	103.5	73.5	52.8	36.6	48.3	76.4
Japan . . .	117.0	114.5	94.9	122.7	155.8	187.1 ²
United Kingdom . .	106.1	80.6	57.3	57.9	77.3	97.5
United States . .	110.7	79.8	50.9	26.8	45.6	51.0

The indices of production of crude steel, of course, duplicate pig-iron figures to some extent. Moreover, the amount of scrap-iron used is very much greater in recent years. For these reasons the steel index may be regarded as the more instructive.

¹ *Board of Trade Journal*, Apr. 11, 1935.

² Jan.—Nov.

The actual figures of production in various countries in 1913 and in 1933-4 are:

TABLE CIX

Production of Pig-Iron in the Chief Producing Countries

(Thousands of tons of 2,240 lb.)

<i>Monthly average</i>	<i>United Kingdom</i>	<i>United States</i>	<i>Germany¹</i>	<i>France</i>	<i>Belgium</i>	<i>Luxembourg</i>	<i>Saar¹</i>	<i>Italy</i>
1913	855 0	2,580 5	1,374 4	427 2	203 8	209.0	113 0	35 7
1933	344 7	1,112 1	432 0	518 8	225 1	154.8	130 6	42 5
1934	498 2	1,326 0	717 1	505 0 ²	238 5	159.6	149 8	42 8

<i>Monthly average</i>	<i>Spain</i>	<i>Czechoslovakia</i>	<i>Russia</i>	<i>Poland³</i>	<i>Sweden</i>	<i>Canada</i>	<i>India⁴</i>	<i>Australia⁴</i>
1913	34.5	..	345.8	87 0	61 9	84 6	..	..
1933	27 7	40 9	585 1	25 1	26 5	21 5	66 2	25.7
1934	.	49 2	860 7	31 4	42 8	36 7	72 4	36 2

¹ The production of Lorraine and the Saar is included with Germany in 1913; Lorraine is included with France from 1919 onwards.

² Revised.

³ Includes Polish Upper Silesia.

⁴ The production of one maker only.

TABLE CX

Production of Steel in the Chief Producing Countries

(Thousands of tons of 2,240 lb.)

<i>Monthly average</i>	<i>United Kingdom</i>	<i>United States¹</i>	<i>Germany²</i>	<i>France</i>	<i>Belgium</i>	<i>Luxembourg</i>	<i>Saar²</i>	<i>Italy</i>
1913	638.6	2,608 4	1,445.7	384 5	202 3	109 0	170 6	77 0
1933	585 3	1,936 0	622.3	535 7	224.9	151 3	137.5	145 3
1934	738 3	2,105 3	975.0	504 3	241 8	158 5	160.1	151.7

<i>Monthly average</i>	<i>Spain</i>	<i>Czechoslovakia</i>	<i>Russia</i>	<i>Poland³</i>	<i>Sweden</i>	<i>Canada</i>	<i>India⁴</i>	<i>Australia⁴</i>
1913	36 4	..	363.9	133.0	48 5	87 0	..	..
1933	38.7	61 3	560.7	67 0	51 7	34.2	57 8	31 0
1934	..	78 0	782.8	69 3	70 5	63.3	66 0	40.9

¹ Excludes the monthly production of Crucible and Electric Steel as these figures are no longer collected.

² The production of Lorraine and the Saar is included with Germany in 1913; Lorraine is included with France from 1919 onwards.

³ Includes Polish Upper Silesia.

⁴ The production of one maker only.

Source: British Iron and Steel Federation: *Statistical Bulletin*, vol. xvi, No. 2, Feb. 1935, pp. 6 and 7.

APPENDIX XIII

ANGLO-INDIAN-JAPANESE NEGOTIATIONS ON COTTON MARKETS

THE influx of Japanese goods into the Indian market led to conversations in 1933 resulting in an agreement limiting cotton piece-goods imports. Conversations began in India in the autumn of 1933. There were official negotiations between the Indian and Japanese Governments for the conclusion of a new commercial treaty to supersede the existing Convention due to expire in October. Simultaneously conversations took place between representatives of British-Indian and Japanese textile interests on the apportionment of the Indian market. Agreement was reached between the Bombay Mill Owners' Association and the British Textile Mission on the proposed rates of duty on British cotton yarns and artificial silk goods imported into India, and the Indian delegates agreed that the continuance of a preference to the British industries concerned was reasonable. It was further agreed that India should share in any advantages negotiated for British textile products in Empire and other overseas markets, and that where quotas were arranged, India should share in the United Kingdom quotas in any market where she had no independent quotas of her own. The British Mission undertook to recommend effective action to promote the use of Indian raw cotton and to keep the Indian side regularly in touch with developments in the British industry. This agreement was to run to the end of 1935. The United Kingdom-India Agreement, published in January 1935, contained a proviso that duties on United Kingdom goods shall be such as to equalize the selling prices of such goods with the fair selling price of Indian goods.

In January 1934 an agreement was reached between the Indian and Japanese Governments fixing (subject to exchange fluctuations) certain maximum duties for Japanese cotton piece-goods imported into India and establishing a basic quota for such goods, determined by a sliding scale, of the amounts of raw Indian cotton exported to Japan. This treaty was to remain in force until March 1937.

A Japanese Delegation had arrived in Great Britain in September 1933 to discuss the allocation of markets, other than the Indian market, but no steps in negotiation were actually taken until after the termination of Indian conversations in January 1934. No agreement was reached in the Anglo-Japanese conversations, and in May Mr. Runciman explained to the Japanese ambassador that, in the absence of any agreement, the British Government might find it necessary to take steps limiting the import of Japanese goods in British colonial markets, a threat which has since been carried into effect. Japanese exports to the British Colonies in which import quotas on foreign goods have been imposed suffered considerably in the latter half of 1934, but, as was foreseen, Japanese competition became more intense in unprotected markets.

APPENDIX XIV

PROVISION OF WORK IN GERMANY

ACCORDING to the Report of the German Construction and Land Bank (Deutsche Bau- und Bodenbank, Berlin)¹ a total of 5.05 milliard R.M. was provided by the Reich up to 1934, of which 3.13 milliard R.M. was by means of special credits. This total includes Railways and Post Office expenditure.

TABLE CXI

Reich Expenditure sanctioned on Provision of Work in 1932-4 (Inclusive)
(In millions of R.M.)

<i>Purpose</i>	<i>Papen programme</i>	<i>Immediate (Sofort) programme</i>	<i>Reinhardt programme</i>	<i>Budget</i>	<i>Total</i>
<i>Construction</i>					
Waterways . . .	46.6	5.8	77.7	.	130.1
Roads . . .	98.7	103.8	57.5	.	260.0
Public utilities . .	6.1	56.4	116.5	.	179.0
Repairs and improvements to public buildings and bridges			169.2	.	169.2
Total . . .	178.6	269.1	534.7	..	1,002.4
<i>Housing</i>					
Housing repairs			67.0	952.0	1,019.0
Suburban holdings	19.9	19.2	69.1	80.8	189.0
Dwellings . . .	.		19.1	26.5 ¹	45.3
Total . . .	19.9	19.2	172.2	1,068.7	1,280.0
<i>Communications</i>					
Railways and Post Offices, &c . . .	24.1	110.6	97.2	165.0	1,333.9 ²
Federal motor ways . .	..		..	50.0	350.0 ³
Total . . .	24.1	110.6	97.2	215.0	1,683.9^{2, 3}
<i>Agriculture and Fisheries</i>					
Rivers regulation, &c.	49.9	178.8	107.9	..	336.6
Land settlement . . .	10.0	.	34.1		44.1
Total . . .	64.9	178.8	145.5	..	389.2
Vouchers . . . . .	..	.	..	70.0	70.0
Basic contributions by the Federal Institute.	..	..	..	568.5	568.5
Grand Total . . .	287.5	597.7	949.6	1,922.2	4,994.0^{2, 3}

¹ Including 6.4 millions from Federal Institute for Labour Exchanges and Unemployment Insurance.

² This total, 860 millions from the Federal Railways and 77 millions from the Post Office, not included in the preceding columns.

³ Including 300 millions of bills issued for Federal Motor Ways not included in preceding columns.

¹ *Frankfurter Zeitung*, Mar. 22, 1935.

The different kinds of work and the expenditure sanctioned and objects of expenditure on each are shown above. The vertical totals in some instances appear to include details not separately listed.

It will be seen that of the contemplated 5.05 milliard RM. of expenditure practically the whole has been sanctioned. The sums actually paid out up to the end of 1934 totalled 3.96 milliard RM., so that the credits still to be spent under the various works sanctioned amounted to about 1 milliard RM.

The 'works bills' are in process of redemption. The bills of the Papen Programme are redeemable fifteen months after the issue in each case.

The proceeds of the $4\frac{1}{2}$ per cent. Federal Loan (1935) will allow some extraordinary repayments. Of the 2.6 milliards of works bills from the three Programmes and the other public bodies issued to the end of 1934, rather more than two-thirds were said to have been discounted at the Reichsbank by March 1935.

APPENDIX XV

HOUSING LEGISLATION IN GREAT BRITAIN

AFTER the War there was a great shortage of houses, but construction costs stood high, and, perhaps even more important, the high interest rates meant that rents would prove to be much above pre-war rents if the interest charges were to be covered. The only solution seemed to be to subsidize building, but the Local Government authorities could not support the entire charge on the rates. As in other countries, the Central Government had to step in, and a series of schemes, as successive Governments came into office, were designed to promote the building of houses to let at low rents. Under the Addison Scheme (1919) any charge over a 1*d.* rate was borne by the Exchequer. But this 'blank cheque' proved very expensive to the national finances, and had to be abandoned; subsidies under this scheme still represent over 50 per cent of the housing charge on national funds (about £6,750,000 per annum). The Act of 1923 provided a specific subsidy per house, as did the more liberal Act of 1924, and a great deal of building took place. Under the latter Act the Exchequer provided £9 for 40 years per house (£12 10*s.* in agricultural areas), and rent restrictions were imposed. The subsidies under this Act (modified in 1927 to £6 and £11 per house and £3 15*s.* to the rates) were repealed in common with all house-building subsidies, except those for slum clearance, by the Act of 1933, and ended on June 30, 1934. A new subsidy, only applicable where the cost of land is high, is introduced by the 1935 Act.

With the exception of the slum clearance subsidies, which are given at so much per head (the sum varying with the type of area and the value of the sites concerned) for each person displaced by the clearance operations, there are no housing subsidies until the 1935 Bill comes into force, and governmental assistance is provided in the form of a guarantee to building societies lending on mortgage. Under the 1933 Act such loans can be increased from 70 per cent. to 90 per cent. of the value of the house, one-third of this advance being guaranteed by the Exchequer and one-third by the local authority.

The object of this policy, from the social service rather than from the purely public works standpoint, is to stimulate the building of low-rented houses. Private enterprise has provided houses for sale, and also houses at higher rents, but building for renting (not for ownership) at rents of 10*s.* per week and under, including rates, has been inadequate. The effects of the 1935 Act remain to be seen.

APPENDIX XVI

THE WASHINGTON CONVENTION ON HOURS

THE first demand for international agreement on hours of labour was made in 1890, when the German Emperor summoned an international conference on Labour in Factories and Mines. In the constitution of the International Labour Office laid down in the Peace Treaties a list of problems of special and urgent importance (Article 427) includes

The adoption of an eight-hours day or a forty-eight-hours week as the standard to be aimed at where it has not already been attained.

The adoption of a weekly rest of at least twenty-four hours, which should include Sunday wherever practicable

The abolition of child labour and the imposition of such limitations on the labour of young persons as shall permit the continuation of their education and assure their proper physical development.

The Forty-Eight-Hour Week

The Peace Treaty.

The Treaty (Article 424 and Annex) provided for the first International Labour Conference to be held in Washington in 1919. The first draft convention accepted by the Conference adopted the eight-hour day and forty-eight-hour week in industrial undertakings, but it was recognized that there must be some modifications and exceptions to meet the peculiar circumstances of some industries, and that the change could only be gradually brought about in countries such as Japan, China, and India, where working hours were very long. For Japan a fifty-seven-hour week and for British India a sixty-hour week was proposed, with a clause enacting that further limitations would be considered in future sessions. The cases of China, Persia, and Siam were postponed for further consideration, and there were other postponements for indefinite periods. These exceptions are an indication of the considerable differences in the length of the working week between East and West.

The draft convention applied to industrial undertakings which were defined partly by enumeration, partly by exclusion. Commerce, agriculture, fisheries, and navigation were to be considered separately. The principal maritime countries, in reply to a questionnaire sent out after the Conference, expressed themselves in favour of regulation of the hours of labour on board ship but made it clear that the eight- and forty-eight-hour rule presented insuperable difficulties at sea. At the Geneva Conference (June-July 1920) a recommendation on the hours of labour in the fishing industries and in inland navigation was agreed upon in the direction of the forty-eight-hour week.

But although there had been general agreement at the Washington Conference on the eight- and forty-eight-hour rule in industry, with the

modifications given above, Governments raised considerable difficulties when the question of ratification arose. Various reasons were given for refusal to ratify. The Federal Government of the United States was precluded from ratification by the constitutional rights of individual States. In Sweden and in Switzerland the small trades and undertakings in rural and mountain districts presented difficulties. The contentions put forward by the British Government for refusing to ratify were the more surprising since the eight-hour day and the forty-eight-hour week (or less) were general in that country, though certain service trades maintained longer hours, e.g. shops, laundries. One of the British objections¹ was that existing collective agreements governing the working of the railways permitted overtime in certain cases which were not provided for in the Convention. No industrial country had more to gain than Great Britain by international agreement to reduce the hours of labour. Hours were already shorter in Great Britain than in many industrial Western countries which were her rivals, and very much shorter than in Japan. In practically all the main American industries the average full-time working week was much longer than forty-eight hours. Probably the real reasons for the failure to secure the necessary ratification of the Treaty were the unsettled economic situation, the fear that longer hours might be necessary for the required volume of production, and the fear that one country might ratify and then find that a rival failed to ratify.² There was, further, the fact that much of European industry was already working eight hours a day or less, and the workers in those sweated industries which were still working anything up to sixty hours a week were, for the most part, without any political representation. In March 1926 the Labour Ministers of Germany, Belgium, France, Great Britain, and Italy met in London to examine the exceptions to the eight-hour conventions which were proposed at various conferences, and it was hoped that a more or less simultaneous ratification would take place. Difficulties in London appeared to be clearing up, but the General Strike in Great Britain and a continuation of the coal crisis altered the circumstances. An Act introducing the eight-hour day instead of seven hours in coal-mines was passed in July. The situation was complicated by new discussions on miners' hours, the intricacies of which have led to much controversy.³

There was a reactionary tendency in various countries. France was determined to stabilize the currency without having recourse to an increased working day, but she was possibly glad to hold an increase in hours of work in reserve at the moment, although the Government declared that there was no intention of avoiding ratifications. An Italian law

¹ The real objection in industry in most industrial countries was probably the fear that some signatories of the Convention might not be able to enforce the observance of the agreement.

² *Encyclopaedia Britannica*, Grimshaw (H. A.), 'Hours of Labour', Supplementary Volumes, 1922.

³ See Appendix XVII.

of June 1926 authorized undertakings to increase the hours of work by one hour. This extra hour was to be what the Germans call 'Mehrarbeit', that is to say, it was to be paid for at ordinary rates, not at overtime rates. Now, overtime was permitted under the Washington Convention but was to be paid for at 25 per cent. above the ordinary rates.¹

It is perhaps unnecessary to follow in detail the Eight-Hour Convention since that date,² but the fact that it was impossible to secure general ratification of an instrument which merely sought to assimilate general practice to the practice already customary in the better organized industrial countries illustrates some of the obstacles against acceptance of the much more drastic proposals for the adoption by international regulation of a forty-hour week placed on the agenda of the Seventeenth Session of the International Labour Conference in 1933,³ and renewed in 1935.

¹ See Thomas (Albert), 'The Eight Hour Day: Taking a Reckoning' (*International Review*), Aug. 1926.

² For the text of the Washington Convention on Hours of Work, the Geneva Draft Convention on Hours of Work in Coal-mines, and the Geneva Convention on Hours of Work in Commerce and Offices, see *Report of the Tripartite Preparatory Conference, International Labour Review*, 1933, Appendix II.

³ For details of exemptions from the 48-hour week and the regulation of overtime see the replies of the Governments to an International Labour Office Inquiry, *Industrial and Labour Information*, Dec. 1933, pp. 296 seq. For recent progress in the acceptance of the 48-hour week see International Labour Office, *Report of the Director* (1935, Geneva), p. 45.

APPENDIX XVII

HOURS OF LABOUR IN COAL-MINES

EFFORTS have been made, so far in vain, to secure uniformity by international agreement on working hours in coal-mines. The question is complicated by the reckoning of winding time and by the distance of the place of work from the bottom of the shaft. The eight-hour day is the rule, except in Great Britain, where it is seven and a half hours, and on the Cracow coal-field, where there is a six-hour day on Saturday. The weekly hours, however, may be less under collective agreements. Taking the individual time spent in the mine and the length of time spent at the coal face, less breaks, the following averages are given for important coal-fields:¹

TABLE CXII
Hours of Work of Underground Workers in 1931

<i>Country and district</i>	<i>Time spent in the mine per week</i>	<i>Time spent at the face per week</i>
Belgium	48 hrs.	38 hrs
Czechoslovakia.	44 hrs. 48 min.	33 hrs 36 min.
France	47 „ 12 „	39 „ 36 „
Great Britain	43 „ 50 „	34 „ 5 „
Poland, Upper Silesia	48 „ 12 „	37 „ 48 „

There are no official data in Germany relative to average winding time, travelling time under ground or breaks, and under collective agreements; the time spent at the face therefore is not available. The British figures relate to the later months of 1931, including the time spent below ground on Saturday. The weekly hours from bank to bank are lowest in Durham (41 hours 15 minutes) and highest in Somerset (46 hours 40 minutes). The length of the time spent at the face is obtained by deducting from the individual time spent in the mine a total of 1 hour 45 minutes for travelling time under ground and breaks, though it has been contested that this figure is too low. As miners in some districts do not work every Saturday, the average time spent on Saturday is calculated at one hour.

An international convention on regulation of the hours of work in coal-mines was adopted at the Fifteenth Session of the International Labour Conference in 1931, and a new draft convention revising that Convention was put forward at the Conference of 1935. For the proposed reductions in hours, to be discussed in 1936, see the Grey-Blue Report, *Reduction of Hours of Work*, vol. v, 'Coal Mines', issued by the Office in 1935.

¹ International Labour Office: *International Labour Review*, Sept. 1933, p. 387.

APPENDIX XVIII

CONDITIONS OF UNEMPLOYMENT BENEFITS AND UNEMPLOYMENT ALLOWANCES IN GREAT BRITAIN, AND POSITION OF CLAIMANTS ON MARCH 25, 1935

UNEMPLOYMENT benefit is payable only in respect of periods of unemployment within a benefit year. To be entitled to begin a benefit year after July 25, 1934, an insured person must fulfil the First Statutory Condition (which requires the payment of not less than thirty contributions in the previous two years, subject to modification in certain cases), and, if he exhausted his benefit rights in his previous benefit year, not less than ten contributions must have been paid in respect of him for the period since his benefit rights were exhausted. In cases where a benefit year had not expired at July 26, 1934, it was treated as a current benefit year for the purpose of the payment of benefit on and after that date, if the two contribution conditions referred to above had been fulfilled during the year, and before July 26. During a benefit year an insured contributor may receive benefit, subject to the statutory conditions and disqualifications, for a period up to 156 days (26 weeks) in all cases; and if, at the beginning of a benefit year, five insurance years have elapsed since the beginning of the insurance year in which the claimant first became insured, he may be entitled to additional days of benefit. These are calculated at the rate of three days for every five contributions paid in respect of the last five complete insurance years, less one day for every five days of benefit received in respect of benefit years which ended in the same period. If five insurance years elapse without payment of contributions the contributor is treated for the purpose of this rule as first becoming insured when contributions again begin to be paid. For the purpose of computing additional days of benefit, every two contributions paid in respect of a person as an insured contributor under the age of 18 years are reckoned as one.

In cases where benefit rights have been exhausted in a benefit year, or where the 10 contributions rule is not satisfied, and in all cases where the First Statutory Condition is not fulfilled and the applicant would have been entitled to transitional payments if a determination that he was in need had been in force, insured persons aged 18 or over, but not boys and girls, may, under the provisions of the Unemployment Assistance Act, 1934, make application on and from 'the first appointed day', i.e. January 7, 1935, for unemployment allowances. The officers of the Unemployment Assistance Board are responsible, subject to certain rights of appeal, for deciding whether the applicant is within the scope of the scheme, and for determining the amount required to meet the needs of the applicant and of those of his household who are dependent on or ordinarily supported by him.¹

¹ United Kingdom: *The Ministry of Labour Gazette*, Apr. 1935, p. 151.

The following table shows the position on March 25, 1935 of applicants in respect of benefits and allowances. Item 3, 'insured non-claimants', includes adults on the register whose claims had been disallowed on the ground that they were not normally insurable and would not normally seek to obtain a livelihood by insurable employment and those who had put in no claim.

Adults (aged 18 to 64 inclusive)

1. Claims for insurance benefit	982,418
2. Applications for unemployment allowances:	
(a) authorized for payment	730,067
(b) held not to justify payment	39,723
3. Insured non-claimants	151,281
4. Position under First Statutory Condition not determined	49,811
Total	<u>1,953,300</u>

Juveniles¹ (aged 16 and 17 years)

1. Claims for insurance benefit	19,325
2. Not entitled to insurance benefit	15,297
3. Position under First Statutory Condition not determined	2,061
Total	<u>36,683</u>

¹ Juveniles aged 16 and 17 are not entitled to unemployment allowances, and boys and girls aged 14 and 15 are not entitled to either benefit or allowances.

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